SIGAR

Special Inspector General for Afghanistan Reconstruction

Afghan National Police: More than $300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data

JANUARY

2015

Report Documentation Page

1. REPORT DATE **JAN 2015**	2. REPORT TYPE	3. DATES COVERED **00-00-2015 to 00-00-2015**

4. TITLE AND SUBTITLE	5a. CONTRACT NUMBER
Afghan National Police: More than $300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data	5b. GRANT NUMBER
	5c. PROGRAM ELEMENT NUMBER
6. AUTHOR(S)	5d. PROJECT NUMBER
	5e. TASK NUMBER
	5f. WORK UNIT NUMBER

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) **Special Inspector General for Afghanistan Reconstruction,2530 Crystal Drive,Arlington,VA,22202**	8. PERFORMING ORGANIZATION REPORT NUMBER

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)	10. SPONSOR/MONITOR'S ACRONYM(S)
	11. SPONSOR/MONITOR'S REPORT NUMBER(S)

12. DISTRIBUTION/AVAILABILITY STATEMENT
Approved for public release; distribution unlimited

13. SUPPLEMENTARY NOTES

14. ABSTRACT

15. SUBJECT TERMS

16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT **unclassified**	b. ABSTRACT **unclassified**	c. THIS PAGE **unclassified**	**Same as Report (SAR)**	**41**	

SIGAR

Special Inspector General for Afghanistan Reconstruction

January 2015

Afghan National Police: More than $300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data

SIGAR 15-26-AR

WHAT SIGAR REVIEWED

Since 2002, the U.S. government has provided more than $15 billion to train, equip, and sustain the Afghan National Police (ANP). In 2002, the United States and other international donors established the Law and Order Trust Fund for Afghanistan (LOTFA), administered by the United Nations Development Programme (UNDP), to fund ANP salaries and other payroll costs. As of July 2014, the international community had contributed $3.6 billion to the fund, with the United States contributing $1.3 billion of the total.

In March 2014, the Combined Security Transition Command-Afghanistan (CSTC-A) reported that the ANP had 152,678 assigned personnel, filling 97 percent of the force's 157,000 authorized positions. Although the Afghan Ministry of Interior (MOI) and the ANP collect personnel and payroll data, CSTC-A and UNDP are required to verify this data. Accurate data is necessary for the Afghan government to ensure the security and stability of the country—for example, by providing police full and accurate salary payments—and for the United States and others to determine funding levels and transition strategy as the Afghan National Security Forces assume control over security in Afghanistan at the end of 2014.

The objectives of this audit were to assess (1) the processes by which CSTC-A, UNDP, and the Afghan government collect personnel and payroll data for ANP personnel assigned and present-for-duty; (2) how CSTC-A, UNDP, and the Afghan government store, access, transfer, and use this data; and (3) the extent to which CSTC-A, UNDP, and the Afghan government verify and reconcile ANP personnel and payroll data to determine the accuracy of the data.

WHAT SIGAR FOUND

Despite 13 years and several billions of dollars in salary assistance to the Afghan government for the ANP, there is still no assurance that personnel and payroll data are accurate. Since 2006, U.S. government audit agencies have consistently found problems with the tracking and reporting of Afghan National Police (ANP) personnel and payroll data. Although all entities involved—the U.S. and Afghan governments as well as the international community—have been working to develop effective ANP personnel and payroll processes, those processes continue to exhibit extensive internal control deficiencies. In a 2011 audit of the ANP payroll process, SIGAR found that many weaknesses—such as irreconcilable and unverified data, a lack of data reconciliation and verification procedures, and difficulties implementing electronic systems—continue to pose challenges to the Combined Security Transition Command-Afghanistan (CSTC-A), the United Nations Development Programme (UNDP) Law and Order Trust Fund for Afghanistan (LOTFA), and the Afghan Ministries of Interior (MOI) and Finance (MOF).

CSTC-A and UNDP rely on the MOI and the ANP to collect and accurately report personnel and payroll data. However, the ANP's process for collecting attendance data, which forms the basis of all ANP personnel and payroll data, has weak controls and limited oversight. ANP oversight officials are not generally co-located with the unit-level officer responsible for collecting attendance data. Further, neither CSTC-A nor UNDP officials are present to oversee the data collection and reported limited knowledge of and influence over the process. Also, a daily sign-in, sign-out system for recording attendance was reportedly only used by officers and not enlisted personnel, so there is no documentation that unit commanders are accurately reporting subordinate personnel attendance. All these factors could result in personnel being paid for days not worked, either with or without knowledge of supervisory personnel.

SIGAR found that the two main electronic systems used for ANP personnel and payroll data—the Afghan Human Resource Information Management System (AHRIMS) and the Electronic Payroll System (EPS)—are not fully functional, cannot communicate directly with each other, and do not span all personnel and payroll data processes. This situation exists, in part, because MOI-issued ANP identification cards and identification numbers—intended to be the bridge between the two systems—are not consistently or effectively used for daily attendance, and some ANP personnel have not yet received an identification card. In addition, both systems contain thousands of personnel records with incorrect or missing identification numbers. As a result, controls—such as automated data transfers, the capability to reconcile personnel between systems, and reduced dependence on handwritten reports—are not in place, and the risks of relying on untimely, inaccurate, or falsified ANP personnel and payroll data persist.

Even if AHRIMS and EPS were fully integrated, SIGAR found that the systems would still have internal control weaknesses. AHRIMS (1) was unable to

WHAT SIGAR RECOMMENDS

SIGAR recommends the Commander, U.S. Forces-Afghanistan—in coordination with the MOI, UNDP, and other donors—implement five actions to improve oversight of the ANP personnel and payroll data collections processes; ensure that ANP incentive payments and salaries are accurate; and improve oversight of U.S. and other donor funding for the ANP provided through LOTFA. These actions include using fully operational and integrated electronic systems to track and report all ANP personnel and payroll data; implementing a process to verify that ANP personnel obtaining their salaries via trusted agent receive full, accurate payments; and ensure the LOTFA monitoring agent develops and documents a sound methodology and consistently implements it when physically verifying personnel.

In its comments, U.S. Forces-Afghanistan welcomed all five recommendations and described actions it is taking, and plans to take, to implement them. SIGAR will continue to monitor these actions to ensure that the command fully implements the recommendations.

SIGAR Personnel Verifying ANP Identification Cards and Attendance

Source: SIGAR, April 19, 2014

distinguish between active and inactive personnel, making it difficult for CSTC-A to determine what percentage of active ANP personnel had records in the system; and (2) did not yet contain data matching active ANP personnel records with the authorized position each person was filling. Similarly, EPS (1) was not fully functional at all provincial headquarters, leaving records for over half of ANP personnel subject to manual data entry; (2) did not prevent payments to more personnel per province than authorized; and (3) could not calculate or verify whether incentive payments or payroll deductions were accurate.

SIGAR found that nearly 20 percent of ANP personnel are at risk of not receiving their full salaries because they are paid in cash by an MOI-appointed trusted agent, a process that lacks documentation and accountability. CSTC-A and UNDP officials told SIGAR that there is limited oversight of trusted agents and a higher risk that funds may be subject to corruption. Further, CSTC-A reported that corrupt practices within the trusted agent system of salary payments "could take as much as 50 [percent] of a policeman's salary."

CSTC-A, UNDP, and the MOI are each supposed to be responsible for verifying ANP personnel and payroll data. The verifications that these organizations performed were ad hoc and uncoordinated, and no one has conducted a comprehensive verification to cover all ANP personnel and payroll processes. CSTC-A could not provide us with written procedures for how it validates ANP personnel totals and officials confirmed that over the past year they accepted, without question, all personnel totals provided by the MOI. Because CSTC-A does not conduct required reconciliation practices, the command is unable to independently verify that the correct number of ANP personnel is being reported and that they are the same personnel who are receiving U.S. and other donor-funded salary payments. CSTC-A noted that limited staffing prevented the implementation of a full audit program as required by its standard operating procedures. Of concern, the only audit CSTC-A conducted in 2013 of ANP payroll data identified serious deficiencies, including improper salary deductions and late payments. CSTC-A officials also reported that the Afghan government has not provided required monthly financial and data reports and that CSTC-A has not requested the documentation due to staff shortages.

UNDP has contracted with an independent monitoring agent to conduct regular verification of ANP payroll data and LOTFA expenditures. SIGAR found that the agent's sampling methodology for physically verifying personnel was not sufficiently detailed and documented in its monitoring plan or reporting, and was inconsistently applied. This inconsistent approach may have artificially inflated the percentage of successfully verified personnel from 59 percent to as much as 84 percent.

As U.S. and coalition forces continue to draw down and transfer security responsibility to the Afghan government by the end of 2014, the U.S. government will have increasingly limited visibility over ANP data collection processes. As a result, the U.S. government will become even more reliant on the MOI's ability to verify the accuracy of the personnel and payroll data it collects, as well as UNDP's oversight of LOTFA funds. Unless the MOI develops the capability to ensure and verify the accuracy of ANP personnel and payroll data, there is a significant risk that a large portion of the more than $300 million in annual U.S. government funding for ANP salaries will be wasted or abused.

January 7, 2015

The Honorable Chuck Hagel
Secretary of Defense

General Lloyd J. Austin III
Commander, U.S. Central Command

General John F. Campbell
Commander, U.S. Forces–Afghanistan and
    Commander, Resolute Support

This report discusses the results of SIGAR's audit of the Combined Security Transition Command-Afghanistan's (CSTC-A), the United Nations Development Programme's (UNDP), and the Afghan government's processes for collecting and verifying the accuracy of Afghan National Police (ANP) personnel and payroll data. The report includes five recommendations to the Commander, U.S. Forces-Afghanistan (USFOR-A)—in coordination with UNDP, other donors, and the Afghan Ministries of Interior and Finance—to improve oversight of the ANP personnel and payroll data collections processes; ensure that ANP incentive payments and salaries are accurate; and improve oversight of U.S. and other donor funding for the ANP provided through the Law and Order Trust Fund for Afghanistan (LOTFA). These recommendations include using fully operational and integrated electronic systems to track and report all ANP personnel and payroll data; implementing a process to verify that ANP personnel obtaining their salaries via trusted agents receive full, accurate payments; and ensuring the LOTFA monitoring agent develops and documents a sound methodology and consistently implements it when physically verifying personnel.

We received written comments on a draft of this report from USFOR-A. USFOR-A welcomed all of our recommendations. The command's comments are presented in appendix II.

SIGAR conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended; and in accordance with generally accepted government auditing standards.

John F. Sopko
Special Inspector General
    for Afghanistan Reconstruction

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ABBREVIATIONS

AFMIS	Afghan Financial Management Information System
AHRIMS	Afghanistan Human Resource Information Management System
ANP	Afghan National Police
CSTC–A	Combined Security Transition Command-Afghanistan
EPS	Electronic Payroll System
GAO	U.S. Government Accountability Office
LOTFA	Law and Order Trust Fund for Afghanistan
MOF	Ministry of Finance
MOI	Ministry of Interior
UNDP	United Nations Development Programme
USFOR-A	U.S. Forces-Afghanistan

Since 2002, the U.S. government has provided more than $15 billion in funding to the Afghanistan Security Forces Fund to train, equip, and sustain the Afghan National Police (ANP).[1] In 2002, the United States, the Afghan government, and other international partners established the Law and Order Trust Fund for Afghanistan (LOTFA). LOTFA, administered by the United Nations Development Programme (UNDP), funds ANP salaries and other payroll costs. As of July 2014, the international community had contributed $3.6 billion to LOTFA, with the United States contributing more than $1.3 billion, or about 38 percent, of the total.

Current U.S. strategy calls for the ANP to reach a maximum strength of 157,000 personnel by January 2015, when the Afghan government will assume full responsibility for Afghanistan's security. As of March 2014, the Combined Security Transition Command-Afghanistan (CSTC-A) reported that the ANP had 152,678 personnel assigned or had reached about 97 percent of its overall target.[2] During Afghan fiscal year 1393—which began on December 21, 2013, and ended on December 20, 2014—CSTC-A planned to provide the Ministry of Interior (MOI) with $515.1 million and an additional $308 million to LOTFA for ANP salaries and hazard and professional incentives.

The Afghan government and ANP commanders need personnel data to effectively manage the police force, thereby safeguarding the security and stability of the country, as well as payroll data to help ensure police receive full and correct salary payments. The United States and other stakeholders use the personnel and payroll data to determine ANP funding levels and to guide transition strategy as the Afghan National Security Forces assume greater control over security in Afghanistan, following the U.S. and coalition drawdown in late 2014. Accurate and reliable accounting of ANP personnel will continue to be necessary to ensure full accountability over U.S. funds used to support the ANP, keep decision- and policy-makers accurately informed of the ANP's personnel levels, and safeguard the future of the U.S. investment in Afghanistan after the 2014 transition.

As early as 2006, the Inspectors General for the Departments of State and Defense warned that CSTC-A reports on ANP personnel totals were unreliable, stating that the personnel numbers were "inflated and there is no personnel accounting system in place."[3] Since then, we and other oversight agencies have identified numerous weaknesses and vulnerabilities in the ANP's processes for tracking personnel and verifying salary payments.[4] These included weaknesses in fundamental ANP practices, such as a reliance on manual data collection; limited U.S. and international oversight of data collection processes; difficulties implementing electronic systems to manage and track the data; and little or no physical verification of ANP personnel assigned and present-for-duty.

The objectives of this audit were to assess (1) the processes by which CSTC-A, UNDP, and the Afghan government collect personnel and payroll data for ANP personnel assigned and present-for-duty; (2) how CSTC-A, UNDP, and the Afghan government store, access, transfer, and use this data; and (3) the extent to

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[1] The U.S. government also uses the Afghanistan Security Forces Fund to train, equip, and sustain the Afghan National Army, which includes the Afghan Air Force. Together, the ANP and the Afghan National Army make up the Afghan National Security Forces.

[2] On November 1, 2014, CSTC-A reorganized under the North Atlantic Treaty Organization's Resolute Support organization.

[3] U.S. Department of State Inspector General and U.S. Department of Defense Inspector General, *Interagency Assessment of Police Training and Readiness,* Department of State Report No. ISP-IQO-07-07/Department of Defense Report No. IE-2007-001, November 2006.

[4] See also: U.S. Government Accountability Office*, Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of a Detailed Plan to Develop and Sustain Capable Afghan National Security Forces,* GAO-08-661, June 18, 2008; U.S. Government Accountability Office, *Afghanistan Security: U.S. Programs to Further Reform Ministry of Interior and National Police Challenged by Lack of Military Personnel and Afghan Cooperation,* GAO-09-280, March 9, 2009; SIGAR Audit-11-10, *Despite Improvements in MOI's Personnel Systems, Additional Actions Are Needed to Completely Verify ANP Payroll Costs and Workforce Strength,* April 25, 2011; and Department of Defense Office of Inspector General, *Government of the Islamic Republic of Afghanistan Needs to Provide Better Accountability and Transparency Over Direct Contributions,* DODIG-2014-102, August 29, 2014.

which CSTC-A, UNDP, and the Afghan government verify and reconcile ANP personnel and payroll data to determine the accuracy of the data.[5]

During this audit, we reviewed CSTC-A data collection and verification requirements, LOTFA project documentation, and MOI and ANP standard operating procedures for data collection and oversight. We visited the provincial headquarters in Herat and Balkh provinces and an Afghan National Civil Order Police unit in Herat where we interviewed ANP officials, obtained ANP attendance documentation, and recorded personnel information for verification and reconciliation purposes. We obtained data from the ANP, the MOI, the Electronic Payroll System (EPS), and the Afghan Financial Management Information System (AFMIS). We interviewed CSTC-A, UNDP, MOI, and International Security Assistance Force officials familiar with ANP attendance procedures, relevant data systems, and the payroll process. We reviewed data verification plans, procedures, and reports, including CSTC-A audits, UNDP monitoring agent reports on LOTFA, and prior audit reports from the U.S. Government Accountability Office (GAO) and the Departments of State and Defense Inspectors General. We conducted our work in Kabul, Herat, and Balkh provinces in Afghanistan and Washington, D.C., from February 2013 through December 2014, in accordance with generally accepted government auditing standards. Appendix I contains a more detailed discussion of our scope and methodology.

BACKGROUND

The Afghan transitional government established the ANP—as called for by the 2001 Bonn Agreement—in 2002. The ANP is organized under the MOI and consists of the Afghan Uniformed Police, the Afghan Border Police, the Afghan Anti-Crime Police, and the Afghan National Civil Order Police.

The Afghan government and the donor nations supporting the Afghan National Security Forces require the collection of personnel and payroll data for all ANP personnel. Such data is necessary for the ANP to function as a security force, maintain accountability, and accurately pay salaries. This data includes name, rank, identification number, and duty location, as well as daily attendance figures, base salary, and applicable financial incentives. CSTC-A, UNDP, and the Afghan government each have requirements for collecting, updating, and verifying ANP personnel and payroll data as follows:

- CSTC-A has been given primary responsibility within the Department of Defense for assisting the Afghan government with the creation of Afghan National Security Forces personnel accountability systems. The National Defense Authorization Act for Fiscal Year 2008 requires the Secretary of Defense to report, on any actions taken by the Department of Defense to assist the Afghan government in establishing ANSF personnel accountability system.[6] CSTC-A is also responsible for fulfilling the requirement in the Act that the Department of Defense report on recruitment and retention numbers, rates of absenteeism, and other statistics for the ANP.[7] CSTC-A has tasked its MOI Ministerial Advisory Group with collecting, validating, and analyzing the applicable ANP data, and the advisory group is responsible for the accuracy of the information it reports.

  CSTC-A is also responsible for overseeing U.S. government direct assistance to the MOI, including funding provided for ANP salaries and other monetary benefits. According to CSTC-A's direct contributions standard operating procedures, the MOI Ministerial Advisory Group is charged with ensuring that the MOI establishes appropriate standard operating procedures and maintains adequate fiscal controls and auditable records of all disbursements, including supporting documentation. In addition, this standard operating procedure requires CSTC-A's Financial Management Oversight office to account for and oversee all direct assistance funding using measures

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[5] We are concurrently conducting an audit of Afghan National Army personnel and payroll data, and expect to issue a final report in 2015.

[6] National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 1231(c)(3), 122 Stat. 3, 391.

[7] *See id*. § 1230.

such as payroll and contract compliance audits, and is responsible for establishing and implementing a formal internal control program for direct assistance. CSTC-A's commitment letter with the MOI and Ministry of Finance (MOF) for Afghan fiscal year 1393 further emphasizes the Financial Management Oversight office's role in providing oversight of direct assistance to the Afghan government.[8] CSTC-A's direct contributions standard operating procedures further describes five reconciliations that should be carried out during mandated audits. These requirements are to compare (1) authorized staffing documents against payment lists; (2) salary levels against payment lists; (3) incentive levels against regulation and payment lists; (4) payment lists, payment summaries, and AFMIS data; and (5) payment lists, looking for duplicate bank account numbers.

- <u>UNDP</u> collects and verifies ANP personnel data based on requirements contained in LOTFA's Phase VI Project Document.[9] This document states that increasing accountability and transparency within the MOI, to ensure salaries are paid only to serving police personnel, requires continuous verification of salary disbursement at the central, provincial, and district levels. The document emphasizes the importance of reconciling LOTFA disbursements with MOI records, reviewing food procurement and distribution procedures, and supporting the MOI through capacity building.[10] The Phase VI document also calls for improvements to ANP payroll accountability processes by using ANP personnel identification tools in combination with electronic systems and funds transfers, and states that "MOI will take the lead" in verification responsibilities. Complementing these requirements, CSTC-A's fiscal year 2014 bilateral agreement letter with UNDP states that LOTFA should only provide ANP salaries upon the successful implementation of an electronic human resources system. The letter also states that payroll funds should only be used to pay for verified personnel with a valid ANP-issued identification number.[11]

- <u>The Afghan government</u> collects ANP attendance data on a daily basis. ANP Order 12/1391 requires commanders to ensure correct personnel totals and to verify the existence of all personnel before signing attendance reports. In addition, CSTC-A's commitment letter with the MOI and MOF for Afghan fiscal year 1393 states that the Afghan government must provide 13 financial and data reports to CSTC-A each month, including documentation of personnel totals, payroll lists, payment summaries, electronic funds transfer reports, and provincial headquarters-level records of payments to individuals. CSTC-A's commitment letter also requires that an additional 14 documents, including attendance sheets, be made available to the command upon request. Finally, the commitment letter requires the MOI and MOF—the Afghan ministry charged with overseeing government expenditures—to use electronic financial management and payroll systems to manage and track personnel and payroll data.

ANP Personnel and Payroll Data Collection Processes

According to CSTC-A, LOTFA, and Afghan government documents and interviews, verified through observation and interviews during site visits to ANP locations, ANP personnel and payroll data is intended to be collected and transferred using the following processes. The MOI requires the ANP to record personnel attendance—present- and not present-for-duty—using daily check-in and check-out signatures. Each employee's attendance

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[8] Combined Security Transition Command-Afghanistan, *Bilateral Financial Commitment Letter between CSTC-A and the Government of the Islamic Republic of Afghanistan Ministry of Interior,* October 22, 2013.

[9] LOTFA's Project Document is the record detailing UNDP and other stakeholder roles and responsibilities for the current phase of the trust fund ending January 1, 2015.

[10] Food procurement and distribution procedures include a cash stipend that patrol officers receive to purchase food for each day they work.

[11] We addressed specific concerns about UNDP's oversight of LOTFA with a series of inquiry letters (see SIGAR Special Project 14-57-SP, *Inquiry Letter: UNDP LOTFA Oversight*, May 13, 2014; SIGAR Special Project 14-98-SP, *Inquiry Letter: UNDP LOTFA Oversight Response*, September 12, 2014; SIGAR Special Project 14-99-SP*, Inquiry Letter: CSTC-A Role of UNDP Oversight and Financial Management of LOTFA*, September 17, 2014).

information is manually passed to the provincial headquarters on a monthly basis. Once the data reaches the provincial headquarters, ANP financial officials enter attendance data into EPS, the ANP's payroll system administered by UNDP. Personnel updates, such as status or position changes, are entered into the Afghanistan Human Resource Information Management System (AHRIMS), a CSTC-A-developed human resources system used for the ANP and Afghan National Army. Provincial officials use the data for two purposes: (1) personnel totals, ranks, skills, and locations are used to facilitate planning and reporting for human resources needs; and (2) personnel salary levels, incentive and deduction amounts, and attendance data are used to calculate salary payments.

The provincial ANP headquarters also report personnel totals to the MOI, which aggregates them into a monthly report by province and provides the report to CSTC-A. CSTC-A uses these reports to develop, among other products, its required submission for the Department of Defense's biannual *Report on Progress Toward Security and Stability in Afghanistan*.

Once ANP personnel and payroll data is collected, it is entered into a series of data systems using a number of manual entry and transfer processes. Data for new recruits, including each individual's ANP identification number, is collected during training at regional centers and added to recruits' records in EPS and AHRIMS.[12] Provincial headquarters staff is responsible for updating individuals' AHRIMS records to reflect changes in status, including rank, duty location, and training, as well as updating individuals' EPS records with monthly attendance data. The MOI submits a payroll summary to the MOF, which administers AFMIS, the country's government-wide accounting system. Because AFMIS and EPS are not linked, MOF provincial-level staff enters data from the MOI-provided payroll summaries into AFMIS and uses the data to determine final ANP personnel salary payments.

Once the MOF receives ANP salary funding from UNDP and payment requests from provincial level MOI representatives, it disburses funds monthly to one of four banks.[13] The banks pay personnel salaries using one of two electronic systems: (1) electronic funds transfer directly to individual bank accounts, or (2) electronic funds transfer to an individual's bank account with subsequent transfer to a mobile phone using a text message system called M-Paisa.[14] In the areas without banks, provincial MOF officials transfer monthly salary payments to a "trusted agent's" bank account. This agent is charged with personally delivering those funds to the recipients in cash.

Figure 1 shows the systems used for ANP personnel and payroll data as well as the key players and systems involved in the flow of ANP data.

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[12] Not all ANP recruits are immediately sent to a training center. Some personnel go straight to their assigned unit in the field after being recruited locally.

[13] MOF disburses the funds to four banks authorized to handle Afghan government payrolls. These banks are the New Kabul Bank and three commercial banks—Azizi Bank, Afghan United Bank, and Maiwand Bank.

[14] M-Paisa, or "Mobile Money," is a means of transferring funds via mobile phone.
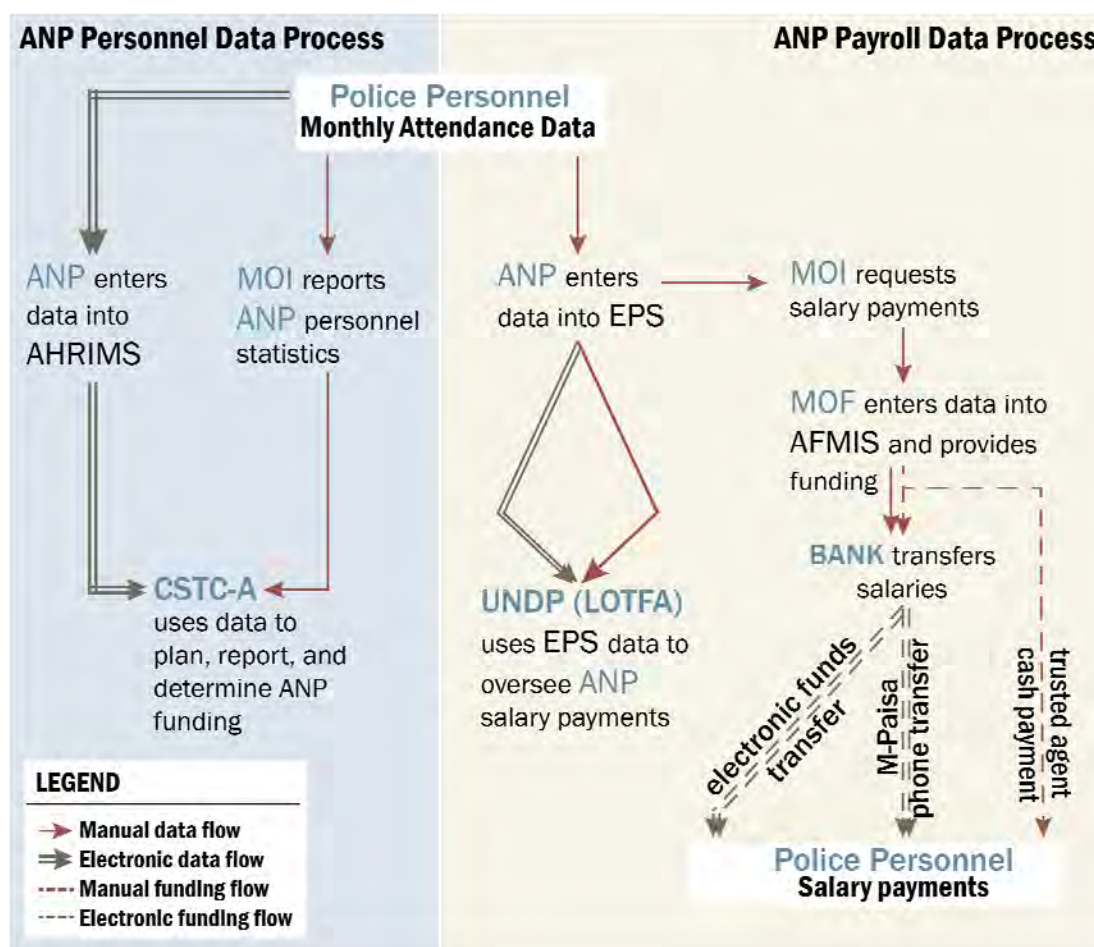
Source: SIGAR analysis of CSTC-A, UNDP, and MOI documents; and SIGAR interviews with CSTC-A, UNDP, and ANP personnel

Prior Reporting on ANP Personnel and Payroll Data Processes and Systems

Since 2006, U.S. government oversight agencies have consistently found problems with tracking and reporting of ANP personnel and payroll data.[15] In 2006, the Inspectors General for the Departments of State and Defense jointly warned of inflated ANP personnel totals. That same year, CSTC-A attempted to verify MOI payroll records for the ANP by conducting a physical count of ANP personnel, but was unable to verify 20 percent of the Afghan Uniformed Police and almost 13 percent of the Afghan Border Police. In 2009, GAO found that UNDP and U.S. contractors were unable to validate the existence or active status of 29,400 MOI and ANP personnel—representing more than a third of both groups at that time—due to a lack of cooperation

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[15] U.S. Department of State Inspector General and U.S. Department of Defense Inspector General, *Interagency Assessment,* ISP-IQO-07-07/IE-2007-001; GAO, *Further Congressional Action to Develop and Sustain Capable Afghan National Security Forces,* GAO-08-661; GAO, *Programs to Reform National Police,* GAO-09-280; and SIGAR Audit-11-10, *MOI Personnel Systems.*

from ANP commanders.[16] In its report, GAO cited a cable from the U.S. Embassy in Kabul stating that police chiefs were inflating police rosters by "creating 'ghost policemen'—allowing chiefs to obtain illegal payments."[17]

During our 2011 audit of ANP personnel systems, we were unable to conclusively determine an accurate total for ANP personnel. In our report, we found that various sources of personnel data showed total reported numbers of ANP personnel ranging from 111,774 to 125,218, a discrepancy of 13,444 personnel.[18] In that report, we noted that CSTC-A, UNDP, and the MOI faced difficulties verifying ANP personnel and payroll data accuracy. We also found that CSTC-A and the MOI were experiencing difficulty implementing AHRIMS, and we reported on challenges linking individual ANP identification numbers and associated biometric data to records contained in EPS and AHRIMS. Most recently, in August 2014, the Department of Defense Office of Inspector General reported that the MOI processed 4,579 potentially improper salary payments totaling $40 million due to the ministry's lack of procedures to identify improper payments, such as duplicate payments. The Department of Defense Inspector General also found that MOI officials did not follow payroll procedures and modified payroll documents after the documents had been approved and signed.[19]

To address these findings, the oversight community—including the Inspectors General of the Departments of State and Defense as well as GAO—recommended multiple changes to the U.S. government's efforts to mentor the MOI and improve ANP personnel and payroll data collection processes, including:

- strengthening the MOI Inspector General's capabilities and size;
- incorporating a unit's present-for-duty numbers as part of unit assessments to combat absenteeism;
- developing written guidance for the roles and responsibilities of CSTC-A and the MOI for future personnel inventories to account for the ANP workforce; and
- verifying data in MOI personnel, payroll, and identification card databases.

We also reported that ANP payroll data was not generally compared or reconciled against ANP personnel data. As a result, we recommended that the North Atlantic Treaty Organization Training Mission-Afghanistan and CSTC-A compare common data fields, such as identification card numbers and personnel totals, between EPS and AHRIMS. Although the Department of Defense concurred with these recommendations, many still have not been fully implemented and problems the recommendations were designed to address still persist, as we discuss later in this report.

ANP ATTENDANCE DATA COLLECTION IS MINIMALLY CONTROLLED AND LACKS DIRECT OVERSIGHT

We identified problems with the collection of ANP present-for-duty attendance data as well as a lack of higher level ANP, MOI, and coalition oversight of the data collection process. CSTC-A and UNDP officials told us they require accurate ANP personnel and payroll data to effectively support the ANP and ensure accountability over funding to the ANP. However, neither CSTC-A nor UNDP directly collect ANP personnel and payroll data. Instead, they rely on the MOI, which oversees the ANP. The MOI, in turn, mandates that the ANP itself collect and report this data.

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[16] GAO, *Programs to Reform National Police,* GAO-09-280.

[17] Despite remaining a controversial concern since 2006, the term "ghost workers" or "ghost employees" has not been clearly defined in literature on the ANP. For this report, we interpret ghost employees in the narrow sense, as fictional employees created to draw a salary that will then be claimed by one or more complicit individuals. We consider neither real employees who are paid despite absenteeism or inactivity nor those impersonating a different individual to qualify as ghost workers.

[18] SIGAR Audit-11-10, *MOI Personnel Systems*.

[19] Department of Defense Office of Inspector General, *Accountability and Transparency Over Direct Contributions,* DODIG-2014-102.

The only control we found in place to ensure that ANP attendance reporting is accurate and tracked was a roster that ANP personnel are supposed to sign daily. During our site visits to Balkh provincial headquarters, however, ANP officials told us they do not adhere to a sign-in, sign-out process for their enlisted "patrolmen," who made up about half of the ANP in June 2014. Instead, the commanding officer records and reports patrolmen attendance manually as part of daily food provision requirements.[20] These personnel receive a cash stipend to purchase food for each day they work, and a lack of controls could incentivize commanding officers to falsify their attendance to obtain this stipend.[21]

We found no examples of direct oversight—either consistent or ad-hoc—during attendance data collection and reporting. Even if all personnel use the attendance roster, CSTC-A, UNDP, and MOI officials do not observe the signing of these rosters, do not review all rosters, and do not reconcile them against other personnel or payroll data. Senior ANP officials who could provide direct oversight are not generally co-located with the unit-level officer responsible for collecting attendance data and we found no evidence that daily attendance procedures are supervised beyond the unit-level commander. In addition, neither CSTC-A nor UNDP officials are present during the collection of ANP attendance data and reported limited knowledge of and influence over the process.

As a result, there are no assurances that unit commanders are accurately reporting subordinate personnel attendance. This makes it possible for employees not performing assigned duties during the work day to go unnoticed or not reported as absent, which could result in personnel being paid for days not worked, either with or without knowledge of supervisory personnel. Further, the ANP Chief of Personnel notes that for units posted far from their provincial headquarters and for those units whose provincial headquarters lack internet connectivity, attendance data is sent by radio through the chain of command. Verbal transfer of information, along with the lack of oversight, increases the risk that present-for-duty numbers could be erroneously reported or recorded, or successfully manipulated by unsupervised or colluding individuals at lower levels within the ANP.

INCONSISTENTLY USED, INCOMPLETE, AND UNCONNECTED ANP DATA AND PAYMENT SYSTEMS LIMIT THE EFFECTIVENESS OF CONTROLS

CSTC-A, UNDP, and the MOI use four data systems to store, access, transfer, and use ANP personnel and payroll data, and we identified problems with each of these systems, including inconsistent use, incomplete and incorrect data, lack of system integration, and weak internal controls.[22] Table 1 lists these data systems and describes the weaknesses we identified with each system.

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[20] CSTC-A MOI Ministerial Advisory Group officials indicated they were unaware that some locations did not use a sign-in process for enlisted personnel.

[21] In March 2014, CSTC-A and UNDP stopped funding ANP food expenditures.

[22] The Afghan government enters all data into these systems.

Table 1 - Data Systems Used to Store, Access, Transfer, and Use ANP Personnel and Payroll Data

Data System	Administrator	Uses	Identified Weaknesses
ANP Identification System	MOI (formerly DynCorp under a contract with CSTC-A)	Contains a list of the unique ANP-issued identification number for each member of the force	• Lack of regular use of ANP-issued identification cards within the force • Long delays in obtaining or replacing identification cards • Reportedly as many as double the number of identification cards in circulation as there are active ANP personnel
AHRIMS	CSTC-A	Storage system for data on personnel education level, training, equipment, medical status, and other information	• Not linked with other systems • Not functional in all provinces • Contains many incomplete records and data fields that need to be re-entered or verified • Unable to differentiate between active and inactive personnel • Contains at least 50,000 entries that cannot be matched to EPS records due to incorrect identification numbers
EPS	UNDP	Contains attendance data collected through the manual attendance collection process and uses this data to calculate monthly salary payments	• Not linked with other systems • Not fully functional in all provinces • Doesn't always keep an automatic record of system users, dates of data entry, or changes made • Limited controls over manually-entered attendance data • Taxes and incentive pay calculated manually • ANP salaries are not paid directly using EPS data • As of May 2014, 43 percent of records lacked bank account numbers and 60 percent lacked identification numbers in the correct formats
AFMIS	MOF	Contains Afghan government expenditure data across all ministries	• Not linked with other systems • All data manually entered • Limited number of line items makes oversight of detailed expenditures difficult

Source: SIGAR analysis of CSTC-A, UNDP, and MOI documents; and interviews with CSTC-A, UNDP, and ANP officials

ANP Identification Numbers Are Not Consistently Used or Controlled

We found that the unique ANP-issued identification number for each member of the force is not being used consistently or effectively for identification purposes at ANP locations, to track attendance, to pay salaries, or for accessing electronic personnel records. The ANP identification system is mandated by the CSTC-A and UNDP bilateral agreement and both CSTC-A and UNDP officials confirmed that the system is integral to establishing a bridge to track individuals across electronic systems. During training, the MOI issues each recruit an ANP identification card with a unique number. According to CSTC-A, these cards are also intended to be used for in-person physical identification purposes, and the identification numbers are supposed to allow personnel records to be tracked throughout the ANP payroll process. CSTC-A's fiscal year 2014 bilateral

agreement letter with UNDP states that salaries should only be provided to verified ANP personnel with a valid identification number.[23]

We witnessed the limited use of ANP-issued identification cards during site visits to the ANP provincial headquarters in Herat and Balkh provinces and an Afghan National Civil Order Police logistics unit in Herat. ANP officials in both provinces told us they do not use ANP identification cards on a regular basis, not even for attendance purposes. In addition, provincial headquarters-level officials provided us copies of payment requests they submit to the MOF, and our review showed that these forms did not include ANP identification numbers. Instead, they used individuals' bank account numbers for identification. Within the Afghan National Civil Order Police unit, we found that 11 of the 35 personnel present-for-duty did not have an ANP-issued identification card on their person, and 2 of the 11 reportedly had been waiting for over a year to receive a replacement card from the MOI. Lastly, we attempted to locate June 2014 EPS records for ANP personnel from this Herat unit, and we found that only one individual had an identification card number listed in EPS; the remaining 74 either had bank account numbers listed or could not be located at all.

AHRIMS and EPS are designed to use ANP identification numbers to track personnel. In 2009, GAO reported on the large number of records in AHRIMS and EPS that could not be matched to a specific individual because the ANP identification number was not accurately recorded in one or both systems.[24] In December 2013, CSTC-A and UNDP were unable to match more than 50,000 records in the AHRIMS personnel data system to payroll records in EPS. An August 2014 CSTC-A review of May 2014 EPS data suggests this figure may be higher, as CSTC-A found that 89,000—or about 60 percent—of personnel records were missing an accurate identification number. Any such error in identification numbers can make it difficult or impossible to match records to actual ANP personnel.

Finally, we found that the MOI does not reclaim identification cards from inactive ANP personnel. According to the LOTFA program manager, as of February 2014, the MOI had distributed around 300,000 ANP identification cards. At that time, the ANP had fewer than 157,000 assigned personnel, so that nearly half of these cards were not held by active personnel. Uncontrolled identification cards that are never reclaimed expose the ANP to possible fraud and impersonation, but also security threats from unauthorized personnel accessing ANP locations.

AHRIMS Cannot Distinguish Between Active and Inactive Personnel

The usefulness of AHRIMS, ANP's human resource data system, is limited. We found that AHRIMS lacks certain electronic data system functions and controls, such as the ability to differentiate between active and inactive personnel and track ANP personnel by their position.

CSTC-A began developing AHRIMS in 2010. Until recently, it has served as an electronic filing system. CSTC-A officials told us that AHRIMS became capable of producing reports in June 2014, but it still cannot distinguish between active and inactive personnel. Both CSTC-A and UNDP officials reported that MOI human resource officers were in the process of matching each active ANP record with the authorized position that the individual was filling. According to CSTC-A officials, matching individuals to authorized positions is the only way for AHRIMS to distinguish between active and inactive personnel, a capability they described as necessary for an effective human resources system. Without this capability, CSTC-A cannot determine what percentage of active ANP personnel has records in AHRIMS.

Further, because AHRIMS cannot identify all active personnel, the MOI manually compiles ANP personnel totals from daily attendance records for its monthly submission to CSTC-A. However, CSTC-A told us they do not cross-

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[23] In its technical comments on a draft of this report, UNDP claimed that the requirement to provide salaries only to verified ANP personnel with valid identification numbers is only applicable upon the successful implementation of AHRIMS. We disagree with this interpretation of the bilateral agreement letter because it would relieve UNDP indefinitely of its duty to oversee the provision of salary funding.

[24] GAO, *Programs to Reform National Police,* GAO-09-280.

check these totals against information contained in AHRIMS or EPS. As a result, there is no assurance that the personnel totals are consistent with other available data.

In November 2013 and May 2014, we requested AHRIMS records for specific ANP personnel. Both times, CSTC-A officials told us AHRIMS did not have the capacity to produce those reports, although they anticipated the system would gain that ability "shortly." We had planned to use the information to determine whether (1) the names, ranks, and identification numbers we independently collected during our visit to the provincial headquarters unit in Herat matched the personnel data in AHRIMS; and (2) the payroll data we received from Balkh provincial headquarters matched AHRIMS records. However, because we were unable to obtain personnel records from AHRIMS, we could not test the system for accuracy against the data we collected.

Limited Functionality of the ANP Payroll System and a Lack of Data Entry Controls Increase the Risk of Inaccurate and Wrongful Salary Payments

EPS—the ANP's payroll data system—contains few controls to ensure the accuracy of data entered into it. UNDP began implementing EPS in early 2005, and by July 2014, the system was fully functional in 25 of Afghanistan's 34 provinces. The remaining 9 provincial headquarters, which oversee 51 percent of all ANP personnel, could not enter attendance data directly into EPS at that time due to the lack of internet connectivity.[25]

ANP provincial headquarters-level officials send monthly summaries of attendance data from EPS to MOI headquarters in Kabul. Electronic submission for the 25 provinces with internet connectivity can occur quickly; however, the 9 provinces using the stand-alone version of EPS must physically transport the data via compact disc so that MOI officials can upload the data into the web-based system. At that point, the data becomes accessible to both UNDP and the MOI, but the process causes delays and allows for additional opportunities for error or manipulation during data transfer. These delays and inconsistencies can prevent UNDP from analyzing data for over half of the ANP's personnel until months after salary payments are made.

We also found problems with EPS controls for entering payroll data, and CSTC-A and UNDP officials confirmed there are gaps in the system that limit EPS's ability to ensure payroll data is accurate. For example, present-for-duty attendance data recorded and compiled below the provincial level is not subject to an official or documented quality control review before being entered into EPS. CSTC-A noted that EPS relies on manually entered data and does not record where or when changes were made, who approved the changes, or why the changes were necessary.[26] UNDP officials told us the web-based version of EPS has a system log that tracks and authorizes changes to records; however, stand-alone versions of EPS do not have the system log feature, and no version restricts what data can be entered into the system or how it can be changed. This lack of an audit trail for data changed within the system prevents oversight officials from identifying the sources of erroneous or fraudulent changes.

UNDP also reported a lack of controls to ensure new recruits are entered into EPS at their authorized pay rate, or to identify and correct errors when they occur. This could allow a provincial headquarters-level official to record a patrolman with no prior ANP experience as a noncommissioned officer in EPS, allowing the patrolman to receive salary and entitlement benefits at this inflated level for the remainder of his or her ANP service. The LOTFA program manager told us he would prefer to see information on rank entered at MOI headquarters as a way to centralize data entry and increase oversight. ANP provincial headquarters-level personnel also submit

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[25] According to UNDP officials, the MOI, with support from CSTC-A and the North Atlantic Treaty Organization Training Mission-Afghanistan, is responsible for providing internet connectivity to ANP provincial headquarters. In October 2013, 23 provincial headquarters were able to access EPS via the internet. By April 2014, this had decreased to 17 provincial headquarters. Improved internet connectivity along with the expansion of EPS to additional locations resulted in more provincial headquarters being able to access EPS via the internet in July 2014. According to LOTFA and the European Union's Police Pay Action Plan, 30 of 34 provinces should have internet-enabled EPS by January 2015.

[26] CSTC-A, *Ministry of Interior (MoI) Payroll Audit Saratan Solar Year 1392 (22 June to 22 July 2013)*, Report No. MoI 1392-001, November 5, 2013.

payroll data directly to the MOF separately from the data submission to UNDP and the MOI via EPS. These officials use EPS to generate hard copy printouts of payroll lists, which they then provide to the MOF for further processing. This data goes through additional rounds of consolidation and hand-entry before being entered into AFMIS and subsequently used to make salary payments. According to UNDP officials, neither the MOI nor the MOF update EPS to reflect changes to the data initially reported in these payroll lists that are made during the remainder of the MOF payroll process.

Lack of Integration between AHRIMS and EPS Results in Incorrect Incentive Payments and Deductions

The two main electronic systems used for ANP personnel and payroll data—AHRIMS and EPS—are not integrated and, therefore, cannot communicate with each other.[27] We found that this lack of integration prevented many electronic system controls from being effective.

ANP personnel are paid based on payroll data contained within EPS. Many of the controls, however, that could ensure the payment amounts in EPS are correct rely on data contained within AHRIMS. Because personnel training records are contained in AHRIMS and not in EPS, there are no controls to ensure that an individual entitled to skill-based incentives actually receives them or to prevent those who are not entitled to incentives from receiving them due to either error or intentional manipulation for financial gain. For example, to receive an incentive payment for a specialized skill such as medicine, an individual must have received medic training and certification. However, EPS would not have a record of whether an individual was qualified for the incentive, because only AHRIMS contains education and training data. As a result, personnel with specialized skills of value to the ANP might not receive the incentives to which they are entitled and those without these skills may be receiving unauthorized financial incentives.

AHRIMS and EPS also lack the controls necessary to ensure hazard pay incentives are accurately paid to ANP personnel. ANP personnel earn a hazard pay incentive based on their duty location. However, hazard pay incentives are manually entered into EPS because the system cannot generate this information automatically, and because an individual's duty position—including location—is only recorded within AHRIMS. During our site visits, the Balkh and Herat provincial headquarters financial offices provided us with their EPS printouts. These documents appeared to list hazard pay in a catch-all category labeled "Other Privileges;" no skill-based or other incentive amounts were listed in this documentation. This manual entry into EPS in a catch-all category can result in under or overpayment to ANP personnel. CSTC-A reported that such overpayments happened in Badghis. Specifically, CSTC-A's Financial Management Oversight office found that 49 percent of ANP personnel in the province were incorrectly paid the highest level of hazard pay in May 2011—totaling $42,180 in overpaid funds for a single province in a single month—when they were only entitled to medium-level hazard pay based on their location.[28] If similar overpayment levels occurred consistently across ANP in all provinces, this could result in the waste of as much as $2.3 million per month.

Similarly, EPS generates payroll lists at the provincial level, but it does not contain the approved staffing levels for each unit and province. Without this information, EPS cannot automatically identify or prevent salary payments to unauthorized individuals when assigned numbers exceed authorized personnel. CSTC-A officials reported that the MOI is in the process of entering staffing level information, which could resolve this problem; however, the data is being entered into AHRIMS, which cannot automatically communicate with EPS to limit paid personnel by assigned levels. A December 2013 UNDP comparison of EPS payments and authorized personnel levels found situations in which payments were made to more personnel than a location was

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[27] According to UNDP, integration between AHRIMS and EPS is expected to occur during Phase VII of LOTFA. This phase, initially scheduled to begin in April 2013, is now scheduled to start in January 2015.

[28] North Atlantic Treaty Organization Training Mission-Afghanistan/CSTC-A—CJ8, *Memorandum for Ministry of Interior – Finance and Budget Directorate: EPS, Tashkil, PERTSTAT [sic], Pay Tracker Audit of Bagdhis [sic],* Kabul, Afghanistan: 2011.

authorized. In two extreme cases, UNDP identified two provinces with more than 700 paid personnel above authorized staffing levels.

We also found problems with payroll deductions.[29] UNDP confirmed that ANP officers are subject to a 5 percent pension deduction and, up until as recently as January 2014, were subject to an additional 2.5 percent deduction to support a cooperative store.[30] CSTC-A's Financial Management Oversight office reported concerns with these pension and cooperative store deductions.[31] For example, a 2013 CSTC-A spot check for June and July of that year found that 20,804 commissioned and non-commissioned officers had overpaid a total of $245,522 into their pensions. This same review looked at the cooperative store deduction, and CSTC-A auditors found that the $174,107 in deductions exceeded store operating costs. The final information provided about the review noted, "As the auditors proceeded with interviews they were warned that if they continued to look into the [c]ooperative further their lives may be in jeopardy."[32]

Because neither AHRIMS nor EPS is fully functional and the two systems are not integrated, many controls— such as automated data transfers, the capability to reconcile personnel between systems, and reduced dependence on handwritten reports—are not in place. As a result, the benefits of these systems, which have been in development for as long as nine years, have yet to be realized, and the risks of relying on untimely, inaccurate, or falsified ANP personnel and payroll data persist. CSTC-A and UNDP officials told us that many of the risks inherent in the ANP's data collection process would be mitigated or resolved once integrated electronic systems are in place and data is linked across systems. Such a link could automatically determine appropriate personnel credentials based on human resources information and ensure that the correct number of police personnel is being paid.

Limited Oversight of the Trusted Agent Method of Salary Payment Puts over Twenty-five Thousand ANP Personnel at Risk of Not Receiving Full Salaries

Nearly 20 percent of ANP personnel are at risk of not receiving their full salaries because they are paid in cash by an MOI-appointed trusted agent, a process that lacks documentation and accountability. In response to a separate SIGAR inquiry, CSTC-A reported that corrupt practices within the trusted agent system of salary payments "could take as much as 50 [percent] of a policeman's salary."[33]

In 2007, the U.S. Embassy in Kabul raised concerns about the trusted agent method for salary delivery, noting that this practice allowed district chiefs and other officials to take patrolmen's pay. In response, UNDP and the MOI piloted the M-Paisa method for salary transfer, which allows ANP personnel to access their money using a code they receive via text message. This pilot, however, has not been expanded, and according to UNDP, currently covers less than one percent of ANP personnel.

In January 2014, UNDP reported that 26,669—or nearly 1 in 5—assigned ANP personnel were still being paid using the trusted agent method. CSTC-A and UNDP officials told us there is limited oversight of trusted agents and a higher risk that funds may be subject to corruption. Further, the process leaves no audit trail because, according to UNDP officials, neither the trusted agent nor the individual receiving the salary are required to document or certify that the salary has been paid.

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[29] We identified significant problems with incentive funds and payroll deductions, and plan to conduct future work examining these funds and deductions as well as related concerns, including low budget execution rates for the funding pools supporting incentives and minimal U.S. government visibility over salary deductions.

[30] UNDP reports that this store was intended to "provide services, including primary materials, uniforms, cloth, equipment, furniture and other required items for police officers and their families."

[31] The pension fund is managed by the Ministry of Labor, Social Affairs, Martyrs, and Disabled.

[32] CSTC-A, *MoI Payroll Audit Saratan*.

[33] CSTC-A response to SIGAR Special Project 14-50-SP, *ANP Mobile Money Pilot Program Inquiry Letter*, May 3, 2014.

CSTC-A, UNDP, AND MOI LACK PROCEDURES FOR ENSURING THE ACCURACY OF ANP PERSONNEL AND PAYROLL DATA

The MOI Has No Formal Procedures for Verifying ANP Data

No MOI or ANP documented guidance details procedures for counting personnel or ensuring the accuracy of those counts. According to MOI officials, ANP guidance states that commanders and other relevant officials are responsible for ensuring the correctness of personnel data.[34] Further, no MOI or ANP guidance we identified explicitly requires the ANP to verify or confirm that payroll data or salary payments are correct. According to CSTC-A, MOI officials confirmed that any internal data verification processes that they conduct are informal and contained no written procedures to guide them.

CSTC-A advisors to the MOI were unable to provide us with further information on specific requirements or procedures guiding MOI oversight officials and verification processes, including information on site visits, personnel asset inventories, and Afghan Inspector General activities.[35] These advisors reported having no access to MOI Inspector General reports—which are not made public or shared with CSTC-A—and noted that the MOI had not, for example, conducted any recent personnel asset inventories.

Despite Requirements, CSTC-A Lacks Documented Data Verification Procedures and Does Not Reconcile Data

As part of its responsibility for overseeing direct funding of ANP salaries, CSTC-A is responsible for collecting, analyzing, and validating data on the total number of ANP personnel, and resolving identified discrepancies. CSTC-A did not provide written procedures for how it validates ANP personnel data and reports undertaking limited efforts to confirm the accuracy of data it receives from the MOI. The two standard operating procedures that CSTC-A provided as guidance for this process only describe steps to format personnel numbers into a reporting template and to analyze changes in ANP personnel totals from month to month.[36] The procedures do not explain how CSTC-A can ensure that the numbers it receives are correct. CSTC-A officials confirmed that over the past year, the command has accepted—without question—all personnel totals provided by the MOI. CSTC-A reported that future data will only be as accurate as the ANP reports on which it is based and that the troop drawdown would further decrease the command's ability to verify ANP data.

CSTC-A's commitment letter with the MOI and the MOF covering the 1393 Afghan fiscal year requires the ministries to provide 13 financial and data reports to CSTC-A automatically each month and an additional 14 documents upon CSTC-A's request. Each month the ministries must provide CSTC-A with electronic funds transfer reports, raw AFMIS data, provincial headquarters-level payment request forms, and records of payments to individuals. Although CSTC-A's Financial Management Oversight office conducts occasional audits, officials told us they did not have enough staff to implement a full audit program, and they stopped receiving MOF documentation after two key CSTC-A payroll positions were eliminated. One CSTC-A official reported that the banks paying ANP salaries reconcile payroll disbursements with the MOF each month and that the predominant commercial bank used for salary transfers—the New Kabul Bank—also provides a monthly payroll report to the MOF. However, CSTC-A does not currently receive or review this documentation. CSTC-A also reports not comparing or reconciling its ANP personnel totals against UNDP figures, despite our 2011 recommendation that the command do so after we found that total recorded ANP personnel totals varied

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[34] ANP Order 12/1391 states that commanders and other relevant officials are responsible for ensuring the correctness of personnel data, and ANP Order 89/1389 details accounting for attrition.

[35] During a personnel asset inventory, the MOI physically counts and records data for ANP personnel.

[36] The two standard operating procedures provided by CSTC-A are the command's assessments standard operating procedures and the ANP personnel statistics standard operating procedure.

between 111,774 and 125,218 and that at least 10 percent of personnel with identification cards lacked a corresponding human resource record.[37] These additional measures could provide some independent confirmation of the consistency of reported personnel numbers. CSTC-A's most recent commitment letter appears to recognize this, stating that the command will work closely with the MOI to reconcile actual expenditures.

During its 2013 audit of ANP payroll data, the CSTC-A Financial Management Oversight office discovered erroneously calculated pensions for officers and noncommissioned officers, late ANP salary payments, inadequate payroll taxation, improperly deducted pension contributions, and a cooperative store deduction noted as "unconstitutional."[38] The office called into question the authorized use of at least $972,352 in ANP funding during a single month. However, the audit report also states that CSTC-A did not look at any data from sources other than EPS. As a result, the problems identified existed at a single point in the payroll process, and do not include any data inconsistency issues that may have existed, particularly inconsistencies between EPS data, salary payment data in AFMIS, and electronic funds transfer data. Because CSTC-A did not conduct additional audits and did not reconcile EPS against additional data points, we do not know the extent to which these problems exist across the entire ANP payroll system. Further, as CSTC-A does not conduct required reconciliation practices, the command is unable to independently verify that the correct number of ANP personnel is being reported and that they are the same personnel who are receiving U.S. and other donor-funded salary payments.

UNDP and Its Monitoring Agent's Efforts to Verify LOTFA Expenditures Are Unsound and Not Sufficiently Documented

We found that UNDP's verification efforts—primarily conducted by a contracted monitoring agent charged with providing oversight and verification for LOTFA program expenditures—are unsound, insufficiently documented, and lack specific contracting guidance. UNDP's LOTFA Phase VI Project Document emphasizes the importance of conducting continuous verifications at the central, provincial, and district levels of salary disbursements, as well as reconciling these disbursements against existing MOI payroll records. Similarly, UNDP's August 2010 and June 2014 monitoring plans for LOTFA note that LOTFA stakeholders have recognized that special attention is needed to monitor and support financial management and accountability practices until capacity of the Ministry of Interior is built in these areas."[39] However, UNDP officials told us they rely on MOI data due to limited LOTFA program resources and security difficulties, which affect their ability to physically confirm personnel attendance at outlying locations.

A UNDP contracted monitoring agent is responsible for all regular LOTFA verification efforts, which include reviewing payroll and transaction documentation as well as confirming the existence and presence of assigned police personnel. The most recent LOTFA Monitoring Agent Audit Plan, covering the period March to August 2014, requires the contracted firm—currently Joshi & Bhandary—to verify police salary disbursement in selected districts to ensure that funds are disbursed only to police who are physically serving. However, UNDP officials noted that the process is not meant to be a human resources system audit or review. Further, due in part to manual processes required to transfer data to EPS and the donor-driven need for timely payments, the LOTFA program manager told us that UNDP is unable to verify ANP payroll data before releasing salary funding allotments. Instead, the monitoring agent uses EPS payment request forms to retroactively verify select ANP salary payments.

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[37] SIGAR Audit-11-10, *MOI Personnel Systems*.

[38] CSTC-A, *MoI Payroll Audit Saratan*.

[39] UNDP, *Law and Order Trust Fund for Afghanistan Nationwide Monitoring Plan August 09, 2010 [sic] to February 8, 2011*, August 2010; and UNDP, Law *and Order Trust Fund for Afghanistan Nationwide Monitoring Plan March 1 to August 31, 2014*, June 2014.

According to UNDP, the program has taken steps since November 2013 to enhance its oversight of LOTFA funds. For example, officials informed us that the program and its monitoring agent had identified $23 million in salary expenses from fiscal year 2013 that did not have supporting documentation. As of August 2014, UNDP reported at least $4 million in outstanding ineligible expenses by the MOI; one UNDP official told us a portion of the outstanding expenses had been reclaimed through a $2.8 million deduction from LOTFA's July 2014 advance to the MOF.

We examined the LOTFA Monitoring Agent Audit Plan and found that the methodology plan for sampling and physically verifying personnel was not sufficiently detailed or documented. The monitoring plan states that one percent of personnel—or roughly 1,570 police—will be verified annually, but the LOTFA program manager stated that this number is closer to 1,400 per year. The sampling plan for physical verification efforts noted that a scientific sample of districts, police stations, and departments will be randomly selected from EPS each month but the plan does not detail the specific methodology for doing so. In April 2014, the LOTFA program manager confirmed that the sampling process does not conform to statistical best practices and that the monitoring agent's efforts are often affected by poor security and difficulty reaching remote locations. However, the monitoring plan does not account for these realities. For example, it does not include a method for conducting verification activities at units selected in the sample that are located in insecure or remote locations or identifying alternative locations. The plan also does not explain how the monitoring agent would conduct an alternative or replacement selection of locations, if the locations initially selected are too geographically disparate, rural, or remote to visit during the 10-day period allotted monthly for physical verification activities. Finally, the plan includes a verification form for the monitoring agent's team to use during physical verification efforts, but the form includes a section intended to be filled out by ANP personnel. This assumes a level of literacy that over half of the ANP reportedly lack.[40]

We also found the contracted monitoring agent's (Joshi & Bhandary) implementation of its sampling methodology to be inconsistently conducted and reported. Our review of 2013 LOTFA monitoring agent reports showed that Joshi & Bhandary verified more personnel than required by the audit plan—8,012 personnel across 33 provinces and at the MOI. However, our review suggests that Joshi & Bhandary did not adhere to a single sampling strategy; instead, it verified all personnel in some units and only certain personnel in others. In at least three instances, notes in the report show that Joshi & Bhandary chose to sample only personnel present at the time of its visit. If Joshi & Bhandary used this approach in all unit-level sampling, it may have artificially inflated the percentage of successfully verified personnel from 59 percent to as much as 84 percent.

The 2013 reports also did not explain other inconsistencies in the monitoring agent's work or discuss whether needed follow-up activities had been completed. For example, the reports are not clear as to why the number of personnel verified each month varied from 2,230 in February 2013 to 402 in November 2013, the fewest of any month in 2013 and well below the monthly average of 900 personnel.[41] In addition, the March 2013 report notes that individuals not available on site during Joshi & Bhandary's visit will be verified during later months. Later reports, however, do not state whether this follow-up was conducted and whether Joshi & Bhandary was able to locate and physically confirm these personnel during follow-up visits.[42]

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[40] We have previously reported on U.S. and international efforts to provide literacy training to the Afghan National Security Forces, including the ANP. See SIGAR Audit Report 14-30-AR, *Afghan National Security Forces: Despite Reported Successes, Concerns Remain about Literacy Program Results, Contract Oversight, Transition and Sustainment,* January 28, 2014. "Some command officials responsible for the literacy training program roughly estimated that over half of the force was still illiterate as of February 2013."

[41] In June 2013, Joshi & Bhandary's contract expired, leaving UNDP without a monitoring agent until the contract was renewed in September 2013. UNDP officials noted that because of this contract lapse, Joshi & Bhandary did not report physical verification activities in July, August, or October 2013. Reports note that additional verification activities would be conducted in November 2013; however, only 402 personnel were sampled in November.

[42] UNDP conducted a desk audit of its oversight of the LOTFA monitoring agent. In this review, UNDP found that it had provided unsatisfactory oversight of the monitoring agent (see UNDP Office of Audit and Investigations, *Desk Review of UNDP Afghanistan Oversight of the Monitoring Agent of the Law and Order Trust Fund for Afghanistan,* Report No. 1310, October 9, 2014).

Independent Efforts to Verify ANP Personnel and Payroll Data Confirmed Weaknesses in AHRIMS and EPS

Our efforts to test the accuracy of ANP data confirmed many of the reported weaknesses in the EPS system. For example, we visited a logistical support unit in Herat province and attempted to verify unit personnel and cross-check their information against multiple ANP data systems. ANP officials at the site—who were given advance notice of our visit to assemble the correct personnel—told us that the 35 individuals we met represented the entire unit. However, provincial records we were given for the unit showed 73 assigned personnel. As a result, assuming these records were correct, we were unable to physically verify nearly half of this unit's personnel.

Using bank account numbers in these provincial records, we also attempted to match individuals with their June 2014 EPS payroll data. To be paid, each individual should appear in the EPS system. Of the 73 individuals identified as active in the provincial headquarters' records, we were unable to locate 9 in EPS. These individuals should not be receiving payment, as they cannot be tracked throughout electronic systems and have no bank account on record. We found another 2 individuals whose reported bank account numbers were similar but not identical to those in EPS.[43] An erroneous bank account number suggests that these individuals' salaries are being sent to the wrong account. CSTC-A's review of EPS data for May 2014 found similar levels of data inaccuracy. CSTC-A reported that 43 percent of EPS personnel records lacked a bank account number, and therefore these individuals cannot be tracked, are not receiving their salaries through the proper channel, and may not be receiving salaries at all.

CSTC-A and UNDP Lack Consensus on Data Verification Responsibilities

Neither CSTC-A nor UNDP has taken responsibility for verifying ANP personnel or payroll data. As a result, neither of these stakeholders has taken the lead to ensure that full verification procedures are conducted. Although CSTC-A and UNDP both acknowledge the importance of verifying ANP data, existing guidance does not clearly assign these responsibilities, and officials contradicted each other about who is ultimately responsible. We reviewed CSTC-A, UNDP, and MOI documents to determine whether they attribute specific responsibilities to specific stakeholders, but found no clear assignment of responsibility. For example, while the bilateral agreement letter between CSTC-A and UNDP states that LOTFA should only pay ANP salaries after the validation process is completed, it does not clearly state who is responsible for undertaking this validation process.[44] Similarly, the LOTFA Phase VI Project Document refers to "continuous verifications" down to the district level of the ANP, but does not name anyone primarily responsible for carrying out those verifications.[45] Finally, CSTC-A's bilateral financial commitment letter with the Afghan government does not directly refer to data verification activities, other than to state that CSTC-A will "validate submissions" from ANSF ministries.[46] The letter does not make clear whether ANP personnel or payroll data submissions are included.

We observed a similar lack of clarity and consensus concerning ANP personnel and payroll data verification from the officials we interviewed. CSTC-A told us UNDP works to verify that salary payments are appropriately disbursed, but also noted that UNDP lacks a validation system. LOTFA's program manager contradicted this, stating that the ultimate responsibility for ensuring and confirming correct data lies with the MOI. A June 2014 letter from UNDP asserted that LOTFA's mandate prevents it from exercising direct control or oversight because it does not directly pay ANP salaries. In the same letter, however, UNDP points out that it has taken

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[43] In these records, the names and bank account numbers were similar, with one or more digits seeming to have been mistakenly entered in either the provincial records or EPS.

[44] CSTC-A, *FY14 Bilateral Agreement Letter between CSTC-A and the UNDP regarding Contribution to the Law and Order Trust Fund for Afghanistan*.

[45] UNDP, *Law and Order Trust Fund for Afghanistan (LOTFA) – Phase VI, Project Document*.

[46] CSTC-A, *Bilateral Financial Commitment Letter between CSTC-A and the Government of the Islamic Republic of Afghanistan Ministry of Interior*.

"significant measures" to improve oversight of LOTFA, and reports implementing "more rigid salary disbursements, verification, and reconciliation of reports."[47] Contributing to the confusion, officials representing European Union donor countries echoed UNDP's position in a meeting with us. They asserted that although LOTFA was not originally intended or mandated to undertake verification procedures, it has stepped in due to the MOI's lack of capacity to do so independently. In an October 2014 letter to SIGAR, UNDP reported that the responsibility for providing "reasonable assurance....that LOTFA funding is being used for its intended purposes and beneficiaries" is actually tasked to its contracted monitoring agent.[48]

In our May and September 2014 letters to the UNDP Administrator and the CSTC-A Commanding Generals, we noted concerns regarding the coordination of oversight, and the critical importance of ensuring ANP payroll funding is accurate, accountable, and transparent.[49] In our September 12 letter to UNDP, we objected to LOTFA's assertion that it has no responsibility to audit MOI and pointed out that the LOTFA financing agreement states that UNDP is "responsible for the overall fiduciary management of the project."[50] We called specifically for UNDP's oversight role and administrative responsibilities regarding LOTFA to be clarified, and for oversight access and accountability to be guaranteed for donors and UNDP.

CONCLUSION

The U.S. government is spending more than $300 million annually for ANP salaries with little assurance that these funds are going to active police personnel or that the amounts paid are correct. ANP identification cards with unique numbers are the primary control mechanism to help protect against fraud and abuse, but they are not being used properly—including for attendance and payroll purposes—and there are almost twice as many cards in circulation as there are active police personnel. Further, after 9 years of effort, an electronic human resources system—critical for ensuring the proper personnel are being paid and paid the correct amount—has still not been successfully implemented. Despite lengthy and costly U.S. government attempts to implement this system, AHRIMS, and a payroll system, EPS, the two systems are still not integrated. This lack of integration serves to negate critical controls, such as the ability to reconcile personnel between systems, that should be in place to protect U.S. salary funding from waste and abuse. It is not surprising, therefore, that reports have disclosed inflated police rosters, payments being made to more police personnel than are authorized in particular locations, and police personnel receiving inflated salaries. Achieving full functionality and integration of these systems would only partially resolve existing problems. Such improvements would still not address concerns about low-level ANP attendance procedures or the integrity of the data once it leaves EPS for final salary payment calculations. Also of concern is the payment of ANP personnel in cash via trusted agents, as there are even fewer controls over these salary payments. The fact that as much as half of these payments are possibly diverted from intended recipients is alarming.

The U.S. government and international community plan to continue funding ANP salaries. Some requirements to help safeguard U.S. funds are in place, but neither CSTC-A nor UNDP are fully following them. U.S. Forces-Afghanistan (USFOR-A) should enforce these requirements and—where there are accountability gaps—create new, binding procedures to better safeguard funds. USFOR-A, UNDP, and the MOI must do a better job of coordinating to ensure that ANP personnel numbers match on-the-ground realities and that their salaries are accurate and provided only to actively serving Afghan forces.

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[47] SIGAR Special Project 14-57-SP, *Inquiry Letter: UNDP LOTFA Oversight*, May 13, 2014

[48] UNDP, Response to SIGAR Special Project 14-98-SP, *Inquiry Letter: UNDP LOTFA Oversight Response*, October 7, 2014.

[49] SIGAR Special Project 14-57-SP, *Inquiry Letter: UNDP LOTFA Oversight*, May 13, 2014; SIGAR Special Project 14-98-SP, *Inquiry Letter: UNDP LOTFA Oversight Response*, September 12, 2014; and SIGAR Special Project 14-99-SP, *Inquiry Letter: CSTC-A Role of UNDP Oversight and Financial Management of LOTFA*, September 17, 2014.

[50] SIGAR Special Project 14-98-SP, *Inquiry Letter: UNDP LOTFA Oversight Response*, September 12, 2014 citing UNDP, *Law and Order Trust Fund for Afghanistan (LOTFA) – Phase VI, Project Document*.

We understand the challenge of providing aggressive oversight given a decreasing U.S. and coalition troop presence in Afghanistan. As the drawdown continues and security responsibility is transferred to the Afghan National Security Forces, the U.S. government will become almost fully reliant on MOI-provided data, making it imperative that the MOI develop rigorous procedures and sufficient capability to verify the accuracy of the data provided to CSTC-A and UNDP. Otherwise, the generation of untimely, inaccurate, and falsified data that has existed in the past, will continue in the future. The window of opportunity to effect change is narrowing and this may be the international community's last chance to ensure that ANP data collection and reporting processes lead to accurate salary payments. Steps must be taken now to help prevent the waste of millions of dollars in future U.S. and other donor contributions for salary payments.

RECOMMENDATIONS

To improve oversight of ANP personnel and payroll data, provide greater assurance to U.S. and international stakeholders of the data's accuracy, and ensure accountability of funds, we recommend that the Commander, USFOR-A, in coordination with UNDP, the MOI, and the MOF, as appropriate:

1. Implement mandatory controls, and training as needed, on the daily, unit-level attendance process, such as a personnel sign-in process, the use of ANP identification numbers and cards, and the presence of oversight officials.

2. Take immediate action to achieve fully operational and integrated electronic systems by January 2016, to track and report all ANP personnel and payroll data, and ensure those systems have controls in place to prevent, to the extent possible, internal errors, external inconsistencies, and manipulation, including:

    a. Ensuring that sources of ANP personnel numbers are linked to authorized positions to prevent reporting or payment of more personnel than authorized; and

    b. Expanding the web-based EPS to at least 30 provincial headquarters, as called for in the UNDP and European Union's Police Pay Action Plan.

3. Develop and implement a joint data verification plan by January 2015, detailing procedures by which USFOR-A, UNDP, and the MOI will coordinate to regularly and systematically verify the accuracy of ANP personnel, payroll, and AFMIS data. The joint plan should include:

    a. Descriptions of each organization's roles and responsibilities in the verification process;

    b. Procedures by which UNDP will effectively carry out its fiduciary responsibility to administer LOTFA funding to the ANP.

    c. Requirements to reconcile ANP data—including daily attendance, payment request, payment summary, EPS, and AFMIS data, as well as salary payment reports and bank account numbers—on a monthly basis;

    d. Risk-based procedures by which coalition or UNDP personnel conduct regular spot checks to physically verify MOI-reported ANP personnel; and

    e. Procedures by which issues identified during verification—including unverified personnel, inaccurate data, and fund overpayments to the ANP—are mitigated or resolved, and similar occurrences in the future are prevented.

4. Implement a process to ensure that ANP personnel currently obtaining their salaries via a trusted agent receive full, accurate payments.

To further improve oversight of U.S. and other donor funding for the ANP provided through LOTFA, we recommend that the Commander, USFOR-A, in coordination with UNDP and other donors:

5. Review LOTFA independent monitoring agent terms of reference, monitoring plans, and monitoring reports monthly or as appropriate to:

   a. Ensure the monitoring agent develops, documents, implements, and fully reports a sound and consistently-applied methodology for personnel physical verification activities. Such methodology should incorporate contingency procedures to respond to disruptions in monitoring activities due, for example, to insecurity, weather, or remote locations.

   b. Mitigate or resolve, and help prevent future occurrences of, specific problems, including reporting errors and inaccurate salary calculations, identified through monitoring.

AGENCY COMMENTS

We provided a draft of this report to USFOR-A for review and comment. The command provided written comments, which are reproduced in appendix II. USFOR-A also provided technical comments, which we incorporated into the report, as appropriate. USFOR-A welcomed all five of our recommendations and provided a description of the actions CSTC-A is taking and plans to take to implement the recommendations. UNDP provided technical comments on a draft of this report, specifically regarding its administration and oversight of LOTFA. We incorporated those comments, as appropriate.

With respect to our first recommendation, CSTC-A acknowledges that a key component of the pay process is the linkage to the identification card system. In its commitment letter with the MOI for Afghan fiscal year 1394 (beginning December 21, 2014), CSTC-A requires that the ministry develop, no later than March 1, 2015, a detailed plan of action and milestones for vetting and issuing a valid biometric-protected police identification card to all MOI personnel by the end of fiscal year 1394. The commitment letter also requires the MOI to load all ANP personnel records into AHRIMS and track all assigned personnel within an authorized position on the ANP authorization document. If MOI does not complete these actions by the deadlines contained in the commitment letter, CSTC-A will decrease operation and maintenance funding disbursements to the MOI by as much as 5 percent. Furthermore, CSTC-A notes that a Joint Data Verification Plan—developed by UNDP with CSTC-A and containing appropriate metrics—will be included in a binding 2015 commitment letter, currently in draft, in an effort to implement mandatory control of and training for the ANP personnel sign-in process. UNDP is required to develop this plan by January 15, 2015; if not completed by January 31, 2015, CSTC-A will withhold from UNDP the 4 percent fee it pays UNDP to administrator LOTFA.

With respect to our second recommendation, CSTC-A states that systems integration is a top priority and describes several actions being taken to achieve this goal. For example, to establish internal controls for improving accountability and transparency and to coordinate system requirements, a Systems Integration Division has been established to standardize, streamline, and integrate personnel and pay processes across the ANP. However, the command noted that the January 2015 deadline we included in the recommendation is unrealistic, with January 2016 being a more realistic goal for achieving full systems integration. We have updated the recommendation with the January 2016 deadline for implementation. In addition to assisting the MOI, CSTC-A comments that it also hosts a weekly EPS working group meeting with UNDP to enhance the payroll system, aid in improving the accuracy and quality of the data and the transparency of the payroll system. In addition, CSTC-A notes that UNDP is in the process of expanding web-based EPS to 30 provinces by the end of 2014, a conditional requirement in CSTC-A's draft 2015 commitment letter with UNDP and the command's fiscal year 1394 commitment letter with the MOI. UNDP is also addressing weaknesses identified in EPS to reduce the level of erroneous payments and has plans to increase the number of LOTFA staff based outside Kabul to build capacity within the MOI.

With respect to our third recommendation, CSTC-A states that CSTC-A's draft 2015 commitment letter with UNDP clearly outlines CSTC-A, UNDP, and MOI responsibilities for verifying the accuracy of ANP personnel, payroll, and AFMIS data. The draft commitment letter would also require UNDP to develop a Joint Data Verification Plan detailing the procedures by which CSTC-A, UNDP, and the MOI will coordinate to regularly and systematically verify the accuracy of the data. The draft commitment letter would require the plan developed by UNDP to include procedures for monitoring trusted agents, to ensure that ANP personnel are receiving full and accurate salary payments. Furthermore, CSTC-A states that in response to the Department of Defense Office of Inspector General's August 2014 report on the Afghan government's accountability for direct contributions, CSTC-A now requires UNDP to provide formal comments to audit findings and inspection discrepancies within 30 days of receiving reports.[51] If CSTC-A does not receive comments, if UNDP does not implement recommendations, or both, the command will consider withholding some or all of the 4 percent LOTFA administrative fee.

With respect to our fourth recommendation, CSTC-A states that, because Afghanistan is a sovereign nation, it is ultimately the MOI's responsibility to implement controls and ensure ANP personnel are paid the correct amount. However, CSTC-A notes that its advisors and LOTFA personnel will continue to work with the MOI to gain clarity on the trusted agent process, establish processes for improved transparency, and expand the use of bank-facilitated payments where possible. In addition, through its fiscal year 1394 commitment letter with the MOI, CSTC-A has placed conditionality on its funding for MOI by, for example, requiring the ministry to use EPS and stipulating that LOTFA funding will be withheld from employees not authorized for EPS payments by April 1, 2015. In addition to these conditional controls, CSTC-A states that it intends to increase the number of financial management advisors in the ministries, including within the MOI.

Finally, with respect to our fifth recommendation, CSTC-A states that it will work collaboratively with UNDP to analyze and address inconsistencies in the monitoring agent reports. The draft 2015 commitment letter will require UNDP to provide LOTFA monitoring agent terms of reference, monitoring plans, and monitoring reports to CSTC-A monthly and when requested, to ensure the monitoring agent is providing effective oversight of the program. Notably, the command states that if UNDP fails to provide requested reports, its administrative fee will be reduced at CSTC-A's discretion, up to the full 4 percent.

We commend CSTC-A's efforts to improve oversight of ANP personnel and payroll data, and of U.S. and other donor funding for the ANP provided through LOTFA, particularly the command's plans to make its funding to the MOI and UNDP conditional on those entities meeting requirements in their respective commitment letters. The steps the command identifies in its comments, if implemented properly, would go a long way toward satisfying our recommendations. We will continue to monitor CSTC-A's progress in implementing them.

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[51] Department of Defense Office of Inspector General, *Accountability and Transparency Over Direct Contributions,* DODIG-2014-102.

APPENDIX I - SCOPE AND METHODOLOGY

This audit examined the Combined Security Transition Command-Afghanistan's (CSTC-A), the United Nations Development Programme's (UNDP), and the Afghan government's processes for collecting and verifying the accuracy of Afghan National Police (ANP) personnel and payroll data. The objectives of this audit were to assess (1) the processes by which CSTC-A, UNDP, and the Afghan government collect personnel and payroll data for ANP personnel assigned and present-for-duty; (2) how CSTC-A, UNDP, and the Afghan government store, access, transfer, and use this data; and (3) the extent to which CSTC-A, UNDP, and the Afghan government verify and reconcile ANP personnel and payroll data to determine the accuracy of the data. We reviewed documents dated from 2006 through August 2014, and analyzed ANP personnel and payroll data from 2013 and 2014.

To assess the processes that CSTC-A, UNDP, and the Afghan government used to collect personnel and payroll data for ANP personnel assigned and present-for-duty, we reviewed reports on this topic from SIGAR, the U.S. Government Accountability Office (GAO), the Department of State Inspector General, and the Department of Defense Inspector General, issued from 2006 through 2013.[52] We also reviewed CSTC-A's ANP payroll audits, a UNDP-commissioned management review of the Law and Order Trust Fund for Afghanistan (LOTFA), and a KPMG audit of LOTFA for fiscal year 2011. In addition, we reviewed CSTC-A's, UNDP's, and the Afghan government's requirements and methods for collecting ANP personnel and payroll data. This included ANP orders, policies, and procedures, and the five forms lower-level ANP commanding officers used to record and report attendance.[53] We also reviewed UNDP documents, including LOTFA Phase I through VI Program Documents; LOTFA progress and evaluation reports; and communications between UNDP, the Ministry of Interior (MOI), and donors, including CSTC-A and the European Union. In addition, we interviewed the MOI ANP Personnel Chief, CSTC-A officials in the command's MOI Ministerial Advisory Group, and the LOTFA program manager and other UNDP officials.

To assess the processes by which the Afghan government collects and records attendance data at the unit level, we conducted site visits at three ANP locations—two provincial headquarters, one in Herat City, Herat province, and the other in Mazar-e-Sharif, Balkh province; and one Afghan National Civil Order Police logistics unit located outside Herat City.[54] We attempted to observe unit attendance procedures at both provincial headquarters. In Herat, we provided advance notice of our visit and were informed that an Afghan National Civil Order Police unit would be available for observation. Once on site, we observed a lineup of the 4th kandak logistics unit and collected names, ranks, and ANP identification numbers for the 35 personnel present. We attempted to conduct a similar procedure in Balkh; however, because police were dispersed throughout the city, we could not gather all police at a single location. During our site visit, we also interviewed Afghan Uniformed Police finance officers and staff at the two provincial headquarters; the Afghan Uniformed Police Head of Personnel and an Afghan Human Resource Information Management System (AHRIMS) operator, both at the provincial headquarters in Mazar-e-Sharif; and coalition military officials serving as ANP mentors and trainers in those locations.

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[52] U.S. Department of State Inspector General and U.S. Department of Defense Inspector General, *Interagency Assessment of Police Training and Readiness,* Department of State Report No. ISP-IQO-07-07/Department of Defense Report No. IE-2007-001, November 2006; GAO*, Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of a Detailed Plan to Develop and Sustain Capable Afghan National Security Forces,* GAO-08-661, June 18, 2008; GAO, *Afghanistan Security: U.S. Programs to Further Reform Ministry of Interior and National Police Challenged by Lack of Military Personnel and Afghan Cooperation,* GAO-09-280, March 9, 2009; and SIGAR Audit-11-10, *MOI Personnel Systems.*

[53] CSTC-A and other military personnel generally referred to these as Forms 1 through 5.

[54] We planned to visit the ANP provincial headquarters in five provinces: Kandahar, Kabul, Nangarhar, Herat, and Balkh. However, we were limited to three locations due to a lack of responsiveness from U.S. Forces-Afghanistan—the command initially tasked to support our visits—security restrictions, and resource limitations.

To assess how CSTC-A, UNDP, and the Afghan government stored, accessed, transferred, and used ANP personnel and payroll data, we reviewed their documentation on the electronic systems used for this data. For example, with respect to AHRIMS, we reviewed performance work statements, deployment timelines, job descriptions, and terms of reference for ANP mentors and advisors. We also reviewed CSTC-A and UNDP briefing documents and other materials related to the following systems: the Electronic Payroll System (EPS), AHRIMS, and the identification card/in- and out-processing system. We also attended an AHRIMS working group meeting to understand the status, timeline, and end-state of the AHRIMS system deployment. To understand how ANP personnel data is reported to and by the U.S. government, we reviewed MOI data submissions to CSTC-A and North Atlantic Treaty Organization Training Mission-Afghanistan Information Brief power point presentations, and the Department of Defense's biannual *Report on Progress Toward Security and Stability in Afghanistan*.[55]

To understand how the Afghan government collects, records, and transfers ANP data, we collected food registers for patrol personnel, provincial headquarters records, and EPS printouts during our site visits. At the provincial headquarters in Mazar-e-Sharif, we observed a demonstration of ANP personnel using AHRIMS. We interviewed an AHRIMS operator and observed the AHRIMS interface to understand the system's level of functionality at this location. In addition, we interviewed the MOI ANP Personnel Chief; Afghan Uniformed Police finance officers and staff at the two provincial headquarters, and the Afghan Uniformed Police Head of Personnel; and an AHRIMS system operator at the provincial headquarters in Mazar-e-Sharif. We also interviewed CSTC-A officials from the MOI Ministerial Advisory Group and the Financial Management Oversight office; the LOTFA program manager and other UNDP officials, including an EPS officer; and coalition military officials serving as ANP mentors and trainers in Balkh and Herat provinces.

To assess the extent to which CSTC-A, UNDP, and the Afghan government verified and reconciled ANP personnel and payroll data to determine the accuracy of the data, we reviewed the 1392 and 1393 commitment letters between CSTC-A, MOI, and the Ministry of Finance; CSTC-A's assessments and direct contributions standard operating procedures for fiscal year 2013; and the CSTC-A letter of agreement with UNDP for the command's contributions to LOTFA. We reviewed a UNDP briefing detailing findings from the program's comparison of EPS data, AHRIMS data, and information in the ANP's 2013 personnel authorization document. Using the names, ranks, and ANP identification numbers we collected during our site visits, as well as the documentation provided by provincial finance officers, we attempted to compare lower-level source data with ministry-level AHRIMS and EPS data. However, CSTC-A officials told us that at the time of our request—June 2014—AHRIMS could not produce reports on the type of queries requested. As a result, we were unable to compare the names, ranks, and identification numbers we collected against AHRIMS data. We submitted the same data to UNDP for comparison against EPS data. We ultimately obtained all EPS data for June 2014 and compared the 73 logistics battalion personnel in Herat provincial headquarters documentation against EPS. Of these personnel, we were able to conclusively match 64 of the individuals to records in the EPS system using bank account numbers. We discuss the results of this analysis in the report.

We also reviewed terms of reference for UNDP-contracted LOTFA monitoring agents, monitoring plans describing the agents' intended verification activities and methodology, and monthly LOTFA monitoring agent reports from Joshi & Bhandary—the monitoring agent at the time of our audit—generated and submitted to UNDP. We also reviewed documents detailing the Afghan and U.S. government goals and strategic plans for staffing and funding the ANP, such as the Bonn Agreement; the MOI Ministerial Development Plan; the National Defense Authorization Acts for fiscal years 2008 through 2014;[56] the North Atlantic Treaty

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[55] As of April 2014, the Department of Defense had submitted 13 of these reports to Congress.

[56] National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, 122 Stat. 2; Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, Pub. L. No. 110-417, 122 Stat. 4356 (2008); National Defense Authorization Act for Fiscal Year 2010, Pub. L. No. 111-84, 123 Stat. 2190 (2009); Ike Skelton National Defense Authorization Act for Fiscal Year 2011, Pub. L. No. 111-383, 124 Stat. 4137; National Defense Authorization Act for Fiscal Year 2012, Pub. L. No. 112-81, 125 Stat. 1298 (2011); National Defense Authorization Act for Fiscal Year 2013, Pub. L. No. 112-239, 126 Stat. 1632; and National Defense Authorization Act for Fiscal Year 2014, Pub. L. No. 113-66, 127 Stat. 672 (2013).

Organization Strategic Plan for Afghanistan; and the Department of Defense's Afghanistan Security Forces Fund budget, budget justification, and briefing materials for fiscal years 2012 through 2014. In addition, we interviewed CSTC-A officials from the MOI Ministerial Advisory Group and the Financial Management Oversight office; the LOTFA program manager and other UNDP officials; and officials representing the European Union.

Because the purpose of this audit was to assess the accuracy of ANP personnel and payroll data, we obtained some computer-processed data from CSTC-A and UNDP as well as a limited amount of original source data from ANP units during our site visits. Based on the weaknesses we identified in the data collection and verification processes, we determined that this data was not sufficiently reliable for determining the number of ANP personnel assigned and present-for-duty. We also assessed the extent to which CSTC-A, UNDP, and the Afghan government complied with their internal policies for collecting and verifying the data and provisions in funding agreements, as well as the extent to which they implemented internal controls over these processes. The results of our assessment are included in the body of the report.

We conducted our audit work in Kabul, Herat, and Balkh provinces in Afghanistan, and Washington, D.C., from February 2013 through December 2014, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. SIGAR conducted this audit under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

UNCLASSIFIED

HEADQUARTERS
UNITED STATES FORCES-AFGHANISTAN
BAGRAM, AFGHANISTAN
APO AE 09354

USFOR-A DCDR-S   09   December 2014

MEMORANDUM FOR United States Central Command Inspector General (CCIG), MacDill Air Force Base, FL 33621

SUBJECT: Response to SIGAR Audit Report SIGAR 15-X, "Afghan National Police: More Than $300 Million in Annual, U.S.-Funded Salary Payments is Based On Unverified and Unreconciled Data"

1. I have reviewed CSTC-A's response to the SIGAR Audit Report 15-X and concur with their comments. CSTC-A's draft Commitment Letter continues to insert incrementally stronger methods of leverage on the Minister of Interior (MOI).   USFOR-A's resolve to hold the MOI to a higher level of accountability is clear, with high expectations for FY15.

2. The point of contact is ███████████████████████
████████████

Encl
CSTC-A's Response with Attachment, 1 Dec 14

JOHN M. MURRAY
Major General, U.S. Army
Deputy Commander, Support
United States Forces-Afghanistan

DEPUTY CHIEF OF STAFF SECURITY ASSISTANCE
COMBINED SECURITY TRANSITION COMMAND – AFGHANISTAN
KABUL, AFGHANISTAN
APO AE 09356

DCOS SA/CSTC-A   1 December 2014

MEMORANDUM THRU

United States Forces-Afghanistan (CJIG), APO AE 09356
United States Central Command (CCIG), MacDill AFB, FL 33621

FOR: Special Inspector General for Afghanistan Reconstruction, 2530 Crystal Drive, Arlington, VA 22202-3940

SUBJECT: CSTC-A Response to Recommendations on SIGAR Draft Report 15-X-AR, "Afghan National Police: More Than $300 Million in Annual, U.S.-funded Salary Payments is Based on Unverified and Unreconciled Data", dated 10 November 2014

1. Reference: Draft Report dated 10 November 2014; Special Inspector General for Afghanistan Reconstruction (SIGAR).

2. The purpose of this memorandum is to provide a response to SIGAR's recommendations contained in the SIGAR 15-X-AR Draft Report "Afghan National Police: More Than $300 Million in Annual, U.S.-funded Salary Payments is Based on Unverified and Unreconciled Data."

3. Combined Security Transition Command-Afghanistan (CSTC-A) welcomes SIGAR's recommendations and remains dedicated to strengthening the oversight of the Afghan National Police personnel and payroll data collection processes. It is our mission to ensure that incentive payments and salaries are accurate while providing improved oversight of U.S. and other donor nation funding for the Afghan National Police. We are currently working toward a fully operational and integrated electronic system by January 2016, a system that will be capable of tracking and reporting all Afghan National Police personnel and payroll data, with controls in place to prevent internal errors, external inconsistencies, and manipulation.

4. In order to ensure the proper implementation and integration of these required electronic systems, CSTC-A has placed conditional controls and requirements tied to funding in the Ministry of Interior Solar Year 1394 Commitment Letter. One of the annexes within the Commitment Letter is comprised of twenty-four sections defining various measures designed to prevent Direct Contribution funds from being misappropriated or otherwise misused. Measures that ensure the verification of monthly payroll submissions, as well as the prohibition of payroll for salary or purchases above and beyond the approved Tashkil are included. In addition, anti-corruption measures and conditions on payroll withholdings are outlined in the Commitment Letter to promote good stewardship of MoI's financial responsibilities. A copy of Annex D (Compliance) to the Solar Year 1394 Ministry of Interior Commitment Letter is provided with this response. We remain committed to making significant progress toward building a payroll process that ensures the right person is paid, for the right amount, at the right time.
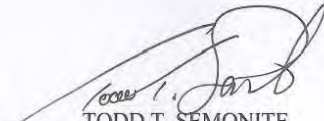
DCOS SA/CSTC-A
SUBJECT: CSTC-A Response to Recommendations on SIGAR Draft Report 15-X-AR, "Afghan National Police: More Than $300 Million in Annual, U.S.-funded Salary Payments is Based on Unverified and Unreconciled Data", dated 10 November 2014

5. The point of contact for this action is ███████████████████ or via e-mail at
███████████████████.

2 Encl
1. Response to Recommendations
2. MoI Commitment Letter, Annex D

TODD T. SEMONITE
Major General, U.S. Army
Commanding General

THIS COMMAND IS COMMITTED TO ACHEIVING DRAMATIC RESULTS ON AND SALARY PAYMENTS AND PROCESSES. READ ENCLOSURE 1 - AND PAY PARTICULAR ATTENTION TO THE SECTIONS THAT REFLECT THE INCREASED FISCAL DISCIPLINE, FINANCIAL OVERSIGHT, AND POLICY ADHERENCE WE HAVE STIPULATED TO UNDP TO EFFECT CHANGE. IT IS CSTC-A'S INTENT TO NOT TRANSFER DOD FUNDS FOR 2015 TO UNDP UNTIL WE CAN BE ASSURED OF REVISED PROCESS CONTROL BY UNDP. THERE IS NO DOUBT THAT WE STILL HAVE MORE TO ACCOMPLISH - BUT IN THE LAST 90 DAYS) WE HAVE APPLIED SIGNIFICANT RIGOR TO THE LETTERS OF COMMITMENT TO ENFORCE FISCAL DISCIPLINE AND IMPROVE OVERSIGHT. WE LOOK FORWARD TO YOUR REVIEW OUT OF OUR STRATEGY TO ACHIEVE CHANGE TO BE IN ALIGNMENT WITH IMPROVED PROCESSES,

VR. TODD T. SEMONITE
MAJOR GENERAL
COMMANDER

Enclosure 1
CSTC-A DRAFT REPORT RESPONSE
"Afghan National Police: More Than $300 Million in Annual, U.S.-funded Salary Payments is Based on
Unverified and Unreconciled Data"
(SIGAR 15-X-AR Audit Report)

To improve oversight of ANP personnel and payroll data, provide greater assurance to U.S. and international stakeholders of the data's accuracy, and ensure accountability of funds, SIGAR recommends that the Commander, USFOR-A, in coordination with UNDP, the MOI, and the MOF, as appropriate:

1. Recommendation 1: Implement mandatory controls, and training as needed, on the daily, unit-level attendance process, such as a personnel sign-in process, the use of ANP identification numbers and cards, and the presence of oversight officials.

Response: Currently, the Afghan National Police (ANP) 'present for duty' attendance data collection process is a manual process performed by the district, provincial and headquarters staff (depending on the location of assigned personnel). The Afghan General Directorate of Police (GDoP) is the office responsible for reporting and maintaining this time and attendance information. All attendance reports are paper-based and are maintained through a combination of daily sign-in and sign-out ledgers and unit attendance reports. Each month, the attendance reports are used to create a document which forms the basis for calculating monthly pay. An absolutely key component of the pay process is the linkage to the Identification (ID) card system. In order to receive salary payments, a policeman must be in possession of a valid ID card – advisors work regularly with both the GDoP and the ID Card office to ensure that the validation process is continuously used and that procedures to ensure the authenticity of the ID cards are followed. No later than 1 March 2015, the Ministry of Interior will have produced a dual language detailed plan of action and milestone schedule to vet and issue a valid biometric-protected police ID card to all MoI personnel by the end of Fiscal Year (FY) 1394. Failure to produce the plan of action will result in a decrement of up to 5% to O&M funds in the next fund disbursement, as outlined in the FY 1394 Ministry of Interior Commitment Letter.

Advisors are actively involved in training additional time keeping and attendance reporting procedures for ANP personnel. We are currently examining added levels of review for the process, in particular the systems in place for recording daily attendance and preparation of the monthly status reports.

In order to implement mandatory controls and training for the ANP as needed with respect to the personnel sign-in process, a Joint Data Verification Plan (JDVP) using appropriate metrics developed by the United Nations Development Programme (UNDP) with CSTC-A assistance will be included in a binding 2015 Commitment Letter. As per the 2015 CSTC-A/UNDP Commitment Letter currently in draft, if the JDVP is not completed by 31 January, CSTC-A will withhold the 4% administrative fee from the UNDP Law and Order Trust Fund for Afghanistan (LOTFA). To identify specific Train, Advise, and Assist (TAA)/oversight opportunities in support of this effort, CSTC-A, Essential Function 4 and the UNDP will work in a collaborative manner.

Furthermore, the MoI Commitment Letter for the Solar Year (SY) 1394 Budget, requires the MoI to meet certain mandatory personnel record keeping requirements. No later than 1 March 2015, all ANP personnel records must be loaded into the Afghan Human Resource Information Management System (AHRIMS) and 100% of assigned personnel must be slotted against an authorized position (face to space) on the approved Tashkil. From 1 April to 30 June 2015, MoI/ANP will validate that 100% of assigned personnel are accounted for in AHRIMS in a valid Tashkil position and that personnel information is accurately reflected in the AHRIMS database. If all of the records are not loaded by 1

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March 2015, CSTC-A will decrement the next funds distribution for Operations and Maintenance
(O&M) funds by up to 5%. If, on 1 April 2015, 100% of the records are not loaded, CSTC-A will again
decrement the next distribution by another 5%. This penalty for non-compliance will continue each
month thereafter until full compliance is achieved. Full compliance will not necessarily result in
decrements being restored. In order to increase transparency and accountability in Direct Contributions,
CSTC-A will require the MoF and MoI to work closely with CSTC-A and provide supporting
documentation. Attendance Sheets (Time and Attendance) and the Personnel Accounting Strength
Report (PASR) are specifically identified as required supporting documentation to reconcile
expenditures.

2. **Recommendation 2**: **Take immediate action to achieve fully operational and integrated
electronic systems by January 2015, to track and report all ANP personnel and payroll data, and
ensure those systems have controls in place to prevent, to the extent possible, internal errors,
external inconsistencies, and manipulation, including:**

**a. Ensuring that sources of ANP personnel numbers are linked to authorized positions to
prevent reporting or payment of more personnel than authorized; and**

Response: We have made systems integration a top priority. To establish internal controls (policies
and procedures) toward improving accountability and transparency and ensure that system requirements
are synthesized, a Systems Integration Division has been established. The primary focus of the division
is to standardize, streamline, and integrate/interface personnel and pay processes across the ANP as a
means to strengthen controls and eliminate corruption or the misuse of funds. Unfortunately, we believe
the January 2015 deadline is unrealistic given the progress and dependency upon Tashkil slotting (the
validation of faces to spaces) and the required interface between the Web-based Electronic Pay System
(WEPS/EPS), AHRIMS, and the Afghan Financial Information Management System (AFMIS) to fully
realize an integrated process. Currently, Tashkil slotting is only 30% complete within the MoI. A more
realistic goal to achieve an integrated systems approach is January 2016.

In order to facilitate the MoI and UNDP achieving specific milestones through December 2015, we
have established an integrated master schedule. As an incentive toward ensuring progress continues on
this schedule, CSTC-A is leveraging funding provided to the MoI to accomplish specific milestones. As
such, we have placed very stringent "transitional conditional controls" in the Solar Year (SY) 1394 MoI
Commitment Letter to help strengthen fiscal oversight and accountability of the MoI and MoD toward
ensuring we are paying the right people, at the right time, and with the right amount. The transitional
conditions include: a fully slotted Tashkil (faces to spaces) with input in AHRIMS by 1 March 2015
(validated by 1 July 2015); a completed ANP ID card initiative for auditing and controlling cards by 1
March 2015, all ANP authorized for payment in WEPS/EPS by 1 April 2015, and full implementation of
the program by 20 December 2015. The penalties for non-compliance include up to a 5% monthly
decrement of O&M funds (code 22), which equates to millions of dollars.

In an effort to assist the UNDP in the enhancement of the payroll system and aid in improving the
accuracy and quality of the data as well as the transparency of the payroll system, CSTC-A hosts a
weekly EPS working group meeting. This added opportunity for collaboration has proven instrumental
in addressing some of the items in the Payroll Action Plan. For instance, before pay/entitlement
information can be entered in EPS, a chart of accounts will be loaded that requires users to select the
correct accounting information. Several other issues have been addressed in this forum, such as the

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removal of fields to prevent the free form entry of pay/entitlement information, including validation rules that prevent the wrong data from being entered in required fields (i.e. bank account information), and incorporating a fixed formula to calculate the pension deduction that can only be changed by authorized personnel. Furthermore, CSTC-A continues to assist the UNDP with automating the M16 in EPS, which will undoubtedly improve the accuracy, timeliness, and accounting of the ANP payroll and make it much easier to interface with AHRIMS and AFMIS.

Moreover, CSTC-A is working with Netlinks (the AHRIMS contractor) to refine the data points required for an interface with WEPS/EPS. The interface will be used to validate faces to spaces before payroll can be processed, to ensure only those in an authorized Tashkil position are paid. Once the Tashkil has been fully slotted and validated (projected for 1 March 2015 and 1 July 2015, respectively), this interface will be enabled. Finally, CSTC-A is also socializing the requirement to interface WEPS/EPS to AFMIS with the Ministry of Finance (MoF) leadership.

In summary, the systems perspective and approach of AFMIS/AHRIMS/EPS and EFT is critical for the MoI to be successful. To ensure transparency, accountability, and facilitate donor confidence, significant resources (manpower & funding) will be applied this year from the coalition and UNDP to provide firm oversight and management of the process.

b. Expanding the web-based EPS to at least 30 provincial headquarters, as called for in the UNDP and European Union's Police Pay Action Plan.

Response: UNDP (LOTFA) is in the process of expanding WEPS to 30 provinces by the end of 2014. This is a conditional requirement contained within the SY 1394 Commitment Letter to the MoI and outlined in draft 2015 Commitment Letter between CSTC-A and the UNDP (LOTFA). Provinces such as Nuristan and Daikundi lack the infrastructure to adequately utilize WEPS and therefore, EPS will be maintained in these two provinces. The LOTFA program office is addressing weaknesses identified in WEPS and EPS to reduce the level of erroneous payments. Currently, EPS relies on data entered manually by both MoI Payroll Officers and MoF Mustafiats, whereby the web-based version enables better data control and recovery, user-friendly interface, and real-time data transmission. UNDP has strengthened the terms of reference of the independent LOTFA monitoring agents to expand and conduct monitoring.

According to the LOTFA Phase VII action plan (2015-2017), one of the outputs is to "…address critical actions for improving quality control and assurance of data generation, transmission, management, and recording." The digitalization of the M-16 is already underway with an anticipated completion date of February 2015. By digitalizing this form, human error and intentional alteration can be reduced. Over the past few months, UNDP has also revised and updated WEPS data fields to help reduce the frequency of users entering incorrect data by requiring the use of drop-down menus. These changes will enable better accountability, auditability and transparency.

To build capacity within the MoI, LOTFA plans to increase the number of staff in the provinces (17 personnel), to aid in the reviewing of human resource documents, time and attendance records, and the payroll list M-41 prior to entry into the WEPS. There are some provinces, however, that pose a challenge in this effort due to security threats (Nuristan, Bamlyan, Dalkundi). UNDP staff in these provinces will support measures that will improve system and staff capacity. As identified by UNDP,

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successful achievement of the outputs listed in the LOTFA Phase VII action plan will require a stronger presence and support to the provincial and district level. A strong regional focus is a prerequisite to achieving the project goals, as 80% of the population of Afghanistan lives outside the major urban centers; that is, the program is dependent upon the work of district and local police stations and officers. LOTFA support to improve the linkage between the MoI headquarters and provincial and district police headquarters is vital for an efficient and effective MoI.

Building on the three field offices already established in Herat, Mazar e-Sharif, and Balk, UNDP will strengthen and upgrade to a total of eight Regional Provincial Offices across Afghanistan. The other five offices will be in Kunduz, Jalalabad, Bamyan, Kandahar, and Paktia. LOTFA VII will leverage the existing UNDP and UN regional hubs and also seek co-location with the MoI administrative hubs where possible. Each Regional Provincial Office will have five LOTFA staff and will function under the overall guidance and direction of the LOTFA VII Deputy Project Manager. Following a trial period of one year, LOTFA, together with MoI Finance, will assess the effectiveness and impact of the Regional offices and their ability to adequately cover 34 provinces with the eight hubs. If necessary, this may result in an expansion in select districts, particularly those districts requiring additional support to achieve the transfer of payroll functions by 2016.

3. Recommendation 3: **Develop and implement a joint data verification plan by January 2015, detailing procedures by which USFOR-A, UNDP, and the MOI will coordinate to regularly and systematically verify the accuracy of ANP personnel, payroll, and AFMIS data. The joint plan should include:**

    a. **Descriptions of each organization's roles and responsibilities in the verification process;**

    b. **Procedures by which UNDP will effectively carry out its fiduciary responsibility to administer LOTFA funding to the ANP.**

    c. **Requirements to reconcile ANP data - including daily attendance, payment request, payment summary, EPS, and AFMIS data, as well as salary payment reports and bank account numbers - on a monthly basis;**

    d. **Risk-based procedures by which coalition or UNDP personnel conduct regular spot checks to physically verify MOI-reported ANP personnel; and**

    e. **Procedures by which issues identified during verification - including unverified personnel, inaccurate data, and fund overpayments to the ANP - are mitigated or resolved, and similar occurrences in the future are prevented.**

Response: CSTC-A has drafted a CSTC-A/UNDP Commitment Letter that addresses the recommendation listed above. The responsibilities of the MoI, UNDP, and CSTC-A are clearly outlined in the document, in addition to conditional controls tied to specific performance measures.

In accordance with the 2015 CSTC-A/UNDP Commitment Letter, UNDP-LOTFA is required to develop a Joint Data Verification Plan (JDVP) by 15 January 2015 and have an approved/signed plan between UNDP-LOTFA and CSTC-A by 31 January 2015. The JDVP will detail procedures by which CSTC-A, UNDP-LOTFA, and the MoI will coordinate to regularly and systematically verify the accuracy of ANP personnel, payroll, and AFMIS data. Between December 2014 and 31 January 2015,

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UNDP-LOTFA will meet regularly with CSTC-A to ensure the JDVP is developed and approved/signed
by 31 January 2015. Failure to complete the JDVP will result in CSTC-A withholding all UNDP-
LOTFA management fees.

Furthermore, as written in the draft 2015 CSTC-A/UNDP Commitment Letter, UNDP must
implement a process to ensure that ANP personnel currently obtaining their salaries via a trusted agent
receive full, accurate payments. The trusted agent monitoring process must be included in the JDVP as
an approved appendix by 31 January 2015. UNDP will also be required to provide monitoring agent
terms of reference, monitoring plans, and monitoring reports monthly to CSTC-A or upon request, as
well as access to UNDP-LOTFA Pillar 1 files. In accordance with CSTC-A's response to the
Department of Defense (DoD) Inspector General Report, D2014-D000FS-0088.000, "Government of the
Islamic Republic of Afghanistan Needs to Provide Better Accountability and Transparency Over Direct
Contributions", CSTC-A requires UNDP to provide formal comments to any audit findings and
inspection discrepancies no later than 30-days after receipt. If comments are not received and/or
recommendations implemented, CSTC-A will consider withholding or reducing LOTFA with a 4%
management fee.

As mentioned previously, conditionality is also contained in the SY1394 MoI Commitment Letter to
include: a fully slotted Tashkil (faces to spaces) in AHRIMS by 1 March 2015; a completed ANP ID card
initiative for auditing and controlling cards by 1 March 2015, all ANP personnel authorized for payment
in WEPS/EPS by 1 Apr 2015, and full implementation by 20 December 2015.

The draft Commitment Letter will be finalized in the coming week. Acceptance of these conditions
by UNDP and aggressive implementation is the catalyst for achieving significant improvements in
effective management and administration of Afghan National Police salary and incentive pay for SY
1394. CSTC-A intends to support a well-planned, conditional transition of LOTFA to the GIRoA over
the next two years; however, meeting the conditions in the Commitment Letter is critical before such a
transition can occur.

**4. Recommendation 4: Implement a process to ensure that ANP personnel currently obtaining
their salaries via a trusted agent receive full, accurate payments.**

Afghanistan is a Sovereign nation and CSTC-A can only leverage its influence over the actions of the
MoI via TAA activities and conditional funding restrictions. Ultimately it is the MoI's responsibility to
implement controls and ensure ANP personnel are paid the correct amount. Roughly 81% of the police
receive their pay through Electronic Fund Transfer (EFT) to individual bank accounts – this is the most
secure payment modality available and an accepted payroll best practice. Approximately 18% of the
ANP, primarily in areas not served by commercial banks or in high threat areas, routinely receive their
pay through a Trusted Agent. It is very difficult to monitor or account fully for payments made via this
modality, but it continues to be used due to the lack of alternatives. CSTC-A MoI-F advisors and
LOTFA personnel will continue to work with the MoI to gain clarity on the Trusted Agent process,
establish processes for improved transparency, and expand bank payments where possible. This will also
be included as a metric in the JDVP.

In order to effect change within the MoI, CSTC-A has taken an aggressive stance. As stated in the
signed SY 1394 MoI Commitment Letter, MoI is required to use an electronic pay system; currently, the

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Web-based Electronic Pay System (WEPS) and the Electronic Pay System (EPS) are used to pay base salaries and incentives to the Policemen, NCOs and Officers authorized on the Tashkil. Beginning 1 July 2015, CSTC-A will only provide funding for base salaries and incentives of personnel in an authorized Tashkil position by grade and assigned position. Employees must be authorized for payment by the EPS/WEPS system by 1 April 2015 or LOTFA funding will be withheld from those employees who are not in the system.

Along with conditional controls, CSTC-A intends to improve the financial management capacity by increasing the number of financial management advisors in the ministries. We are preparing for the start of Resolute Support (begins 1 Jan 15) which will provide us the ability to better assess the Afghan financial systems, while improving their capacity and capability.

5. Recommendation 5: Review LOTFA independent monitoring agent terms of reference, monitoring plans, and monitoring reports monthly or as appropriate to:

a. Ensure the monitoring agent develops, documents, implements, and fully reports a sound and consistently-applied methodology for personnel physical verification activities. Such methodology should incorporate contingency procedures to respond to disruptions in monitoring activities due, for example, to insecurity, weather, or remote locations.

b. Mitigate or resolve, and help prevent future occurrences of, specific problems, including reporting errors and inaccurate salary calculations, identified through monitoring.

Response: UNDP acknowledges the short comings of the monitoring agents in its LOTFA Phase VII document and has strengthened the terms of reference of the independent LOTFA Monitoring Agents to expand and conduct monitoring. The LOTFA Monitory and Evaluation Unit is responsible for monitoring functions, which includes systematic and regular monitoring of Pillar 1 results and processes, including compliance from the Ministry of Interior. Independent Monitoring Agents monitor and review disbursements, payments, accounting, Human Resource headcounts and reporting for LOTFA. Monitoring agents carry out physical verification of the personnel on payroll and provide pre- and post-verification and assurance related services and disbursement claims for the MOF.

To analyze and address inconsistencies in the output of the monitoring agent reports, CSTC-A will work collaboratively with the UNDP. This will be included as a metric in the JDVP via the 2015 CSTC-A/UNDP Commitment Letter, which requires UNDP to provide LOTFA monitoring agent terms of reference, monitoring plans, and monitoring reports monthly (or when requested) to ensure the monitoring agents are providing effective oversight of the program. Failure of the UNDP to provide the reports when requested will result in a reduction of the administration fees, to include up to the full amount of the fees at the discretion of CSTC-A.

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APPENDIX III - ACKNOWLEDGMENTS

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The following staff provided technical assistance:

Davi D'Agostino, Senior Advisor

Lieutenant General John F. Goodman (U.S. Marine Corps, retired), Special Advisor to the Inspector General

Michael Nasruddin, Interpreter

The team would also like to thank the units that provided support during fieldwork:

U.S. Forces-Afghanistan, Regional Command West – J3

1st Regiment Carabinieri "Tuscania" (Italy)

U.S. Forces-Afghanistan, Regional Command North

143rd Military Police Detachment (USA)

Afghan National Army (Camp Shaheen) and Afghan National Police (Balkh Afghan Uniformed Police, Provincial Headquarters) Advisory Units (Germany)

This performance audit was conducted
under project code SIGAR-079A.

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The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

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- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
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